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County of San Diego, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2002

Board of Supervisors

First District	Greg Cox
Second District	Dianne Jacob
Third District	Pam Slater
Fourth District	Ron Roberts
Fifth District	Bill Horn

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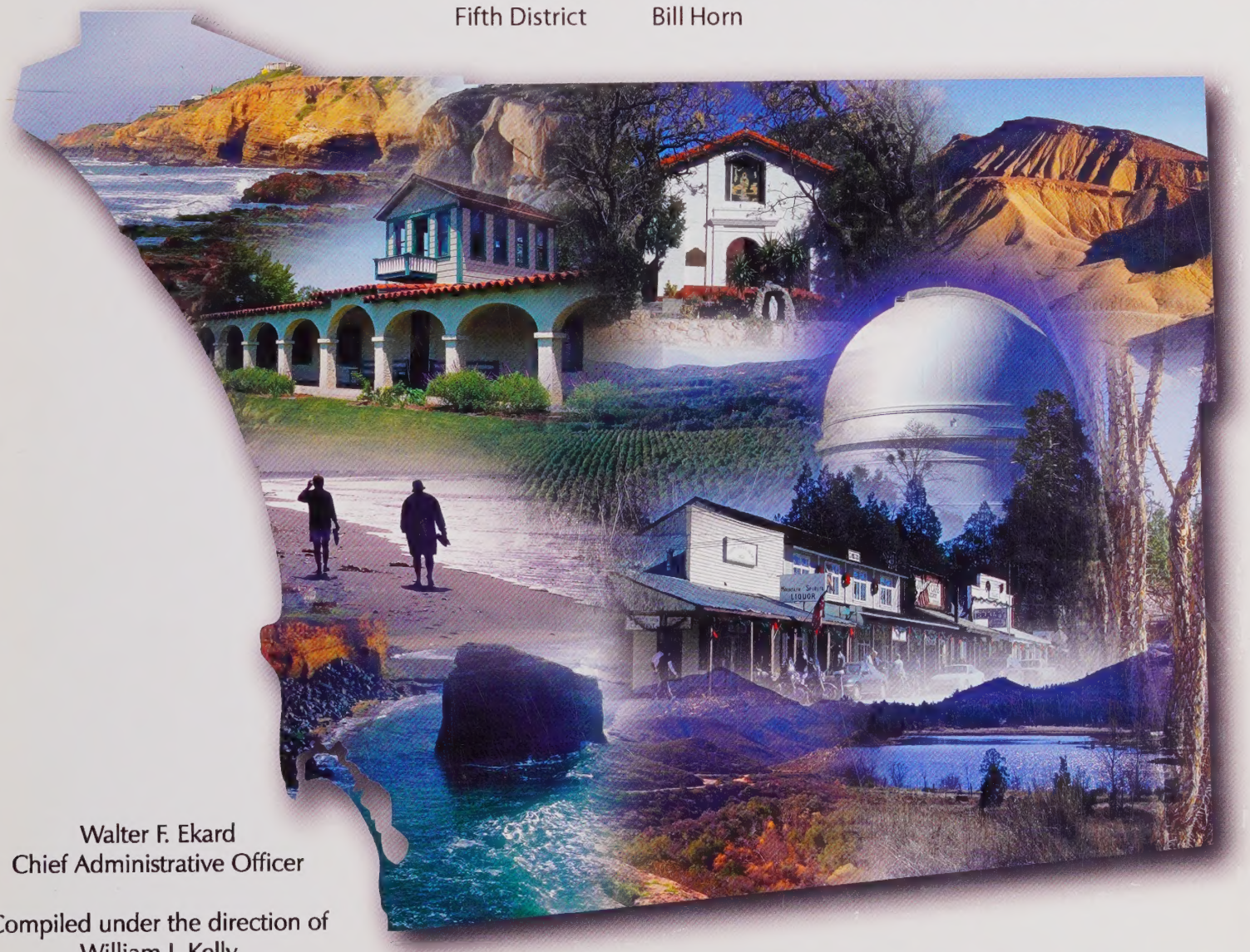
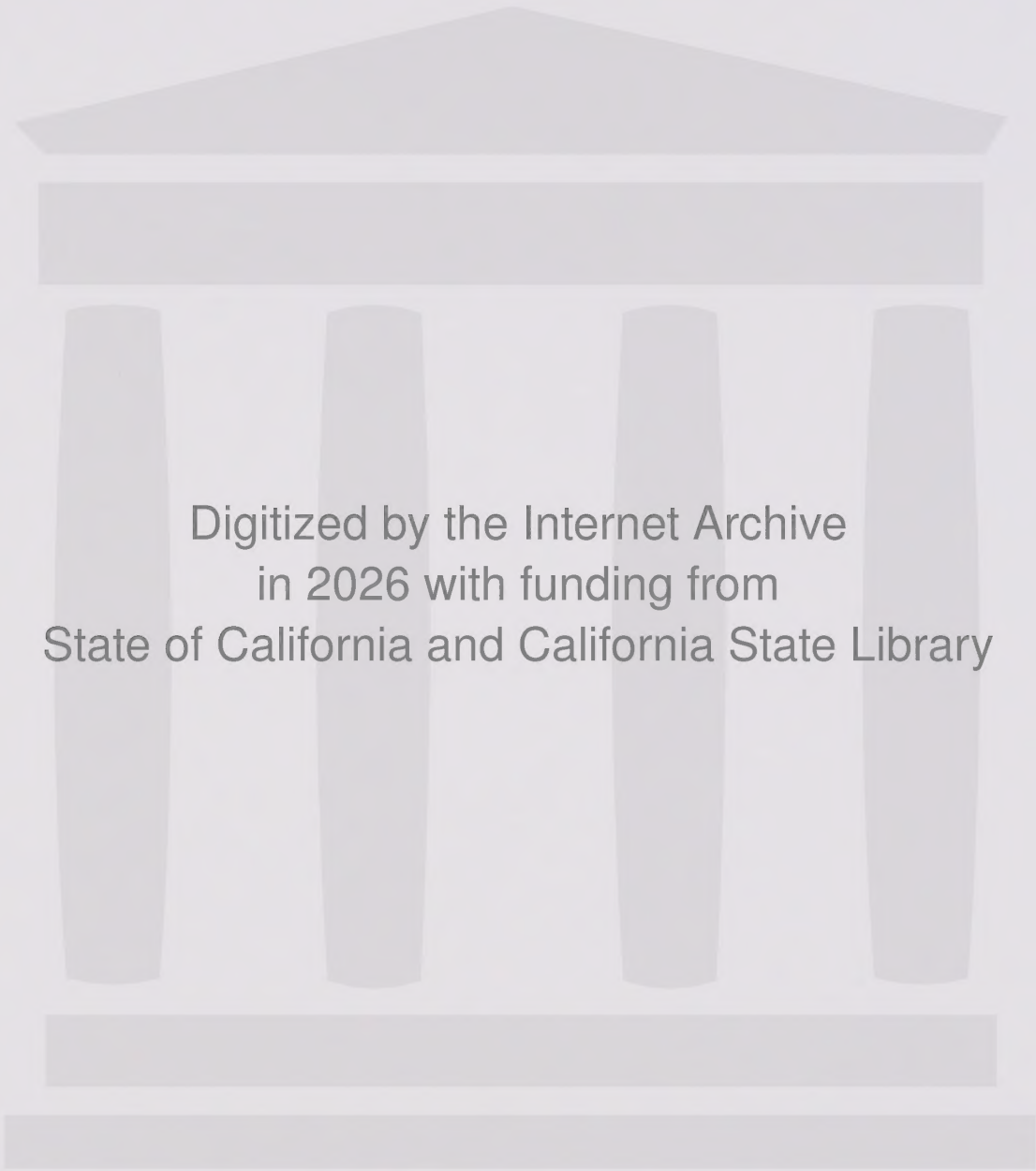


Walter F. Ekard
Chief Administrative Officer

Compiled under the direction of
William J. Kelly
Chief Financial Officer/
Auditor and Controller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County of San Diego
California

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Ended June 30, 2002

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SAN DIEGO
MDCCCLI

INTRODUCTORY SECTION

WILLIAM J. KELLY
CHIEF FINANCIAL OFFICER/
AUDITOR & CONTROLLER
(619) 531-5413
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County of San Diego

AUDITOR AND CONTROLLER
1600 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2478

February 14, 2003

Honorable Members of the Board of Supervisors
County of San Diego
San Diego County Administration Center
San Diego, California, 92101

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of San Diego, California (the County) for the fiscal year ended June 30, 2002 with the Independent Auditors' Report, submitted in compliance with California Government Code Section 25253. The Chief Financial Officer/ Auditor and Controller's office has prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. I believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the County's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the County's financial affairs.

This is the first year the County prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). This new GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Our CAFR is divided into the following sections:

The Introductory Section includes information about County government, the County's economy, general management system, strategic initiatives, selected other financial information, and acknowledgements.

The Financial Section is prepared in accordance with the GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the County's entire financial operations and the fund financial statements that present the financial information of each of the County's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.

The Statistical Section provides trend data and non-financial information useful in assessing the County's financial condition. In this regard, it contains various tables, which present ten years of historical information concerning financial data, debt statistics, and miscellaneous social and economic data. This information is often of special interest to potential investors, creditors and other interested readers.

SAN DIEGO COUNTY PROFILE

The San Diego County is the southernmost major metropolitan area in the State of California and covers 4,255 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equitable in the coastal andvalley regions where most resources and population are located. The average annual rainfall in the coastal areas is 10 inches, so that the County is highly dependent on imported water.

The County population in January 2002 was estimated to be 2,918,300, an increase of 2% over January 2001, making it the third largest county by population in California and the sixteenth largest Metropolitan Statistical Area in the United States. Between 1970 and 1995, the San Diego region's population growth outpaced both the state and the nation, according to the San Diego Association of Governments (SANDAG), who projects that trend to continue through 2020. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with population of approximately 1.25 million. In addition, Tijuana, Mexico, with an estimated population of 1.2 million, is a substantial urban neighbor with a shared border, workforce, and economy.

The racial and ethnic composition of the County is as diverse as its geography. According to SANDAG's analysis of the 2000 Census, 55% of the population is White; 27%, Hispanic; 9%, Asian; 5%, Black; and 4%, all other groups. The growth in the Hispanic population over the last 10 years, 47%, has significantly exceeded total County population growth of 13%. SANDAG projects that both the Hispanic and Asian population shares will continue to increase through 2020. SANDAG also projects an older San Diego County by 2020, based on statistics such as median age and rate of increase of populations over 65.

COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

San Diego County Government

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. The Chief Administrative Officer appoints the Chief Financial Officer. Elected officials include the Assessor/Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

Many of the County's functions are required under County ordinances or by state or federal mandate, as County government is the delivery system for federal, state and local programs. The County supports a wide range of services to its residents including regional services such as courts and elections, public health and welfare, and environmental services. The County also provides the unincorporated areas public safety, basic community services such as planning and parks, and infrastructure such as roads and waste disposal. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

San Diego Economy

In 2002, Forbes Magazine recognized San Diego as the "Best Place" for business and careers, citing a diversified economy and skilled labor force. In recent years the County has enjoyed economic stability, outpacing the state economy despite a general recession in California. For example, the unemployment rate for the County has been lower than that of the State for the last 5 years, and at July 2002 was 4.2% as compared to 6.6% for the State. Much of this economic strength was characterized by outstanding employment gains, personal income increases, rising levels of commercial and industrial development and steady population growth. Looking forward, the state and federal economies are expected to grow slowly, with increases in business investment and slow growth in consumer spending. The San Diego economy is expected to perform in line with the slow expansion of the state and federal economies and to maintain its favorable position in relation to such comparative statistics as unemployment and job growth.

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of theregion, and a considerable defense-related presence which contributes approximately $10 Billion annually to the retail and service businesses of the area. Highlights of County employment as of July 2002 are listed below.

- Non-agricultural employment totaled 1,238,000 jobs.
- The services industry constitutes the largest employment sector and accounted for approximately 34.2% of nonagricultural employment as of July 2002, with a total of 424,000 employed.
- The wholesale and retail trade industries were the second largest sector, comprising approximately 22.5% of non-agricultural employment with a total of 278,100 jobs.
- Government accounted for approximately 16.8% of total employment and manufacturing accounted for an additional 10.3%. The U.S. Department of Defense contributes about $10 billion annually to the local economy, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities. The potential effects of military buildup during the War on Terrorism are uncertain. Although the increase in spending overall may benefit the local economy, events such as rapid troop deployment can cause economic fluctuations in segments such as apartment vacancies.
- Agriculture accounted for approximately .91% of total employment. During FY 2001-02, the United States Department of Agriculture ("USDA") named San Diego County as a primary disaster area due to wind, fire and drought conditions. This designation allowed farmers and ranchers in the County to be immediately eligible for USDA emergency loans.
- The construction and transportation sectors of employment are greatly influenced by the general health of the economy due to the fact that they serve the local market exclusively. The construction industry in particular has a significant multiplier effect on the economy as a whole. These two sectors are therefore directly influenced by the growth of population and housing.
- Employment growth over the next year is expected to come from the software and computer services and business services industries. Overall, the San Diego economy in 2003 is expected to add approximately 22,000 jobs, down slightly from 2002.

County revenues based on the local economy such as property taxes, sales taxes, and charges for services have benefited from the region's strength. For example, new real estate construction plus active resale markets over the last 5 years have resulted in an increase of 40% in the assessed value of property subject to property taxes (net of exemptions). Going forward, real estate markets are expected to remain strong but not spectacular. In addition to conditions of demand and supply, real estate market activity is also affected by interest rates, which are expected to remain low over the near term.

The difficult side of accelerating property values is that housing has become less affordable for San Diegans; the update of the County General Plan 2020 is in the process of providing land use and zoning regulations to accommodate expected population growth. Transportation demands and traffic congestion will affect the current and future quality of life, given suburban residential growth and business expansion, such as the gaming industry, outside city centers on formerly rural and agricultural land.

GENERAL MANAGEMENT SYSTEM

On April 21, 1998, the Board of Supervisors accepted the General Management System (GMS) as the formal comprehensive guide for planning, implementing, monitoring and rewarding all functions and processes of County Government that affect the delivery of services to our residents. The GMS establishes good business practices and discipline, both of which are essential to achieve the County of San Diego's vision.

The purpose of having a General Management System is to optimize efficient application of resources. These resources include not just taxpayer dollars, but all San Diego County assets, including our unique natural and cultural resources, the expertise and creativity of County employees, and the informed interest of County residents.

The idea behind the GMS is straightforward: the County will be able to provide superior services if we set sound goals and apply strong management principles to achieve those goals.

Our County has an annual budget of more than $3.8 billion and roughly 19,900 employees who serve nearly three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. GMS then links goal setting – long-range planning and resource allocation – to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

The GMS process begins with long-range, five-year Strategic Planning. This is followed by shortterm, two-year Operational Planning, which encompasses the budget process. Monitoring and control takes place throughout the year. Evaluation mechanisms are used to ensure that goals are tracked, plans followed, and risks identified. Functional threading maximizes efficient use of personnel and material resources by coordinating staff and linking the functions they perform. Motivation, rewards, and recognition encourages continuing progress by rewarding those who meet and exceed goals. The system completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

County management defines and communicates GMS objectives. Lines of authority flow from the Board of Supervisors to the Chief Administrative Officer (CAO), Assistant CAO (ACAO), and the five Group General Managers/Deputy CAOs. These senior managers supervise appointed Department Heads, from whom authority flows down to line staff. Despite the crucial role of management, successful GMS application depends on strong and effective leadership at all levels of County service. Every County employee is expected to help set goals, strive to achieve them, and be rewarded for achievement.

The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

Two external events of the last year strongly overlaid all areas of County activities and are expected to remain risk factors going forward. First, the terrorist attacks and ensuing War on Terrorism have colored forever the criticality of core government functions such as preparedness and safety. Second, the substantial state budget shortfalls are expected to extend across several years and to result in significant cuts to local government support with or without corresponding cuts in mandated services. Even with resources re-allocated in response to those two events, the County nevertheless made progress on all elements of its Strategic Plan.

Provide for the Safety and Well-Being of County Residents

Special emphasis on children and youth programs resulted in improvements to foster care and adoption programs. The San Pasqual Academy, a residential-educational campus for foster youth, opened with a focus to help foster youth obtain education and life skills in the absence of a traditional family structure.

The County is committed to improving the health safety net for residents by expanding both services and improving access thereto. Web-based technology was used to reach out to families eligible for Medi-Cal and more than 6,600 families were approved for health coverage through the new system. County Medical Services for health care were expanded by almost 9% and the County initiated a pilot project to help small businesses provide health care for employees.

Helping residents become or remain self-sufficient is another County commitment.

- County welfare caseload has dropped 56% since 1995, exceeding the statewide goal of 41%.
- In order to provide quality care to seniors and persons with disabilities, the County created a Public Authority for In-Home Supportive Services, which employs and provides health benefits to caregivers.
- Using a combination of financing techniques, including the sale of surplus adjacent property, the County initiated plans for the replacement of Edgemoor Hospital.

Public safety encompasses many areas of County activities, from law enforcement to food safety inspections. During the year these diverse functions responded to the new threats of terrorism and bioterrorism while maintaining their traditional oversight roles.

- The County led the State in implementing the Substance Abuse and Crime Prevention Act (Prop 36), which mandates treatment instead of Jail time. The State now uses the County as a model for training other counties in Prop 36 implementation.
- Domestic Violence Response Teams expanded to cover the entire County, pairing law enforcement with child and victim advocates.
- Construction of the East Mesa Juvenile Detention Facility commenced in response to the region's growing juvenile justice caseload.

Preserve and Enhance the Environment

County environmental programs focus on both planning and enforcement to maintain the elements of the physical environment—land, water, and air.

- The General Plan 2020 progressed during the year, with 250 public meetings to provide input to an updated community plan that balances regional preservation with housing and economic development needs.
- A related effort is County government's leadership in the Clean Water Project, which brings together all parties with a role in maintaining the quality and consistency of the local waters.
- The County achieved the Federal one-hour ozone standard in November 2001.

The Multi-Species Conservation Plan (MSCP) is the most ambitious habitat protection plan in the U. S. Since the MSCP was adopted in 1997, the County has acquired or protected over 84,000 acres of sensitive lands, achieving 85% of the program's goal in the first five years of a ten-year program.

Ensure the County's Fiscal Stability

The County has enhanced its culture of strong fiscal discipline and preparedness to embrace an innovative approach to planning and problem solving. That culture will continue to be challenged by the continuing State budget deficit and its resolution.

One of the cornerstones of County financial management is the use of one-time funds for one-time expenditures, and last year one-time funds were used to retire early long-term debt used in the construction of County facilities. In a transaction that has won a number of governmental awards, the securitization of the County's share of the settlement from tobacco industry litigation has provided a substantial endowment to fund future health care independent of the consumption of tobacco products. The ratings on the various components of this specialized bond financing ranged from A1 to BBB by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). In addition, S&P affirmed the County's "AA" rating during the year.

The County's response to last year's energy crisis is an example of fiscal discipline at the operational level. The County embarked on a program of conservation through demand management and modernization, exceeding its 10% energy-reduction goal by cutting energy costs by 13.9%.

Promote a Culture that Values our Employees, Partners, and Customers

Employees are the key to providing quality services to residents. County government considers investment in its human resources to be as important as investment in infrastructure and has implemented enhancements in the areas of compensation and benefits in recent years designed to attract and retain employees. First, FY 2001-02 was the first year of five-year labor agreements that were reached with employee organizations, locking in increases for the County's largest expenditure item. Next, enhanced pension benefits were implemented. The County continues to stress results-oriented management, encouraging employees and managers to identify new ideas, reduce costs, and increase productivity.

Institutionalize Continuous Improvement and Innovation

The first phase of the Enterprise Resource Planning applications, PeopleSoft, was implemented. This software is helping to transform the human resources systems, including processing time and information improvements. Other technology advances include a new telephone system and new case management systems in many departments.

Web technology has also led the way for better services, such as on-line auctions, maps from the geographic information system, and wedding broadcasts over the Internet.

OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Strategic and Operational Planning (Budgetary) Process

A 5-year Strategic Plan is updated annually to provide long-term direction to County managers and staff. It embodies the tenets of County's General Management System (GMS) and is built on mutually held expectations for the future. Each fiscal year a two-year Operational Plan is prepared and details each Department's strategic objectives and the resources required to achieve them. The Operational Plan is monitored regularly and is linked to the GMS system of rewards and recognition. The annual Line-Item Budget incorporates the first year of the Operational Plan and is formally adopted by the Board of Supervisors pursuant to Government Code 29000.

Pension Trust Fund

The San Diego Employees' Retirement Association ('SDCERA') is a contributory defined benefit plan established July 1, 1939, under provisions of the County Employees Retirement Law of 1937. The plan is integrated with the Social Security System and substantially all employees participate. As a result of this year's adoption of the enhanced retirement benefits, the County incurred an increased obligation pursuant to the Retirement Law as an unfunded accrued actuarial liability (UAAL) to the Association. As of January 31, 2002, the total estimated accrued unfunded liability from these additional benefits was approximately $870.8 million. In September 2002 the County issued $737.3 million in Pension Obligation Bonds ("POBs"). The proceeds were used to defease a portion of outstanding prior POBs and to fund a portion of the aforementioned UAAL. For further details concerning this transaction please refer to the Management Discussion and Analysis ("MD&A") and Note 5J to the Financial Statements.

Cash Management

The Treasurer, at the delegation of the Board of Supervisors, directs the investment of available County cash, along with cash from other local agencies such as school districts. All deposits are commingled in a pooled investment fund (the "Pool") and are invested according to an investment policy whose objectives are safety of principal, liquidity, and a rate of return consistent with prudent management. At June 30, 2002, the average yield on investments was 2.82%.

Risk Management

The County purchases insurance for property damage (including earthquake), certain casualty claims, public-officials bond, employee dishonesty, faithful performance, and other risks, and pays deductible amounts that vary with each type of insurance.

The County is self-insured for all other risks. The self-insurance activities and resources are accounted for in two Internal Service Funds ("ISFs"), with the exception noted below of excess workers compensation. Risk liability levels for both ISFs are determined by actuarial studies, and reserves are being funded over a multi-year period from the rate structures charged to the operating funds. The risk management ISFs are also discussed in Note 5B to the Financial Statements. The ISFs are:

- The Employee Benefits ISF, for all uninsured employee risk management activities. The County purchases insurance for workers' compensation in excess of $1 million.
- The Public Liability ISF, for all uninsured public risk management activities, including claims arising from medical facilities, medical malpractice, false arrest, and general liability.

INDEPENDENT AUDIT
County Charter Section 802 requires an annual of the audit of the County's accounts and financial transactions. The certified public accounting firm, KPMG LLP, has audited the accompanying basic financial statements compiled from these records. Their Independent Auditors' Report on the financial statements is presented in the Financial Section.

CERTIFICATE OF ACHIEVEMENT
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

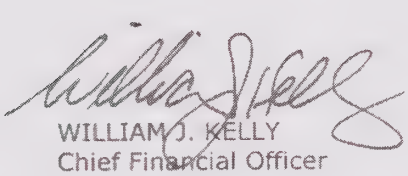
OTHER AWARDS AND RECOGNITIONS
San Diego County ranked among the top four counties in the nation—and number one in California—in a study of government performance conducted by the Maxwell School of Citizenship and Public Affairs at Syracuse University in conjunction with Governing Magazine. The study of 40 large counties considered several areas of management, such as finance, human resources, and information technology. The study was published in the February 2002 edition of Governing Magazine.

Other recent recognitions of excellence include

2002 Grand Watchdog Award from the San Diego County Taxpayers Association for Securitization of Tobacco Revenues
2002 Watchdog Award from the San Diego County Taxpayers Association for the Utility Savings Program
2002 California State Association of Counties Challenge Award for San Pasqual Academy
Best of Category/Fiscal Management 2002, National Association of Counties (NACo) for Securitization of Tobacco Revenues
Best of Category/Personnel, Training, Benefits, 2002 NACo Achievement Award for Career Ladder from Clerical Support to Environmental Health Professional

ACKNOWLEDGMENTS
I would like to express my appreciation to the accounting staffs of County departments and the staff of the Chief Financial Officer/Auditor and Controller whose coordination, dedication and professionalism are responsible for the preparation of this report. I would also like to thank KPMG LLP for their professional support in the preparation of the CAFR. Lastly, I would also like to thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staffs for using sound business practices while conducting the financial operations of the County.

Respectfully,



WILLIAM J. KELLY
Chief Financial Officer

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COUNTY OF
SAN DIEGO
MDCCCLI

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of San Diego, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

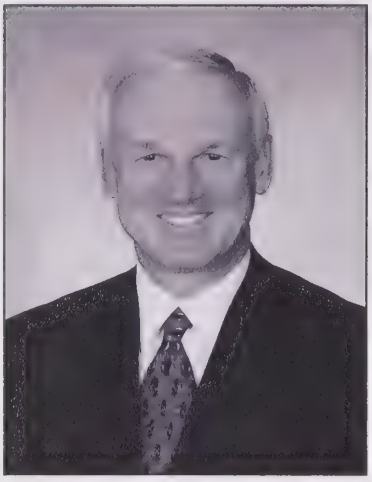
Executive Director

BOARD OF SUPERVISORS

DISTRICT 1
Greg Cox
(Vice Chairman)

DISTRICT 2
Dianne Jacob

DISTRICT 3
Pam Slater



DISTRICT 4
Ron Roberts
(Chairman)

DISTRICT 5
Bill Horn

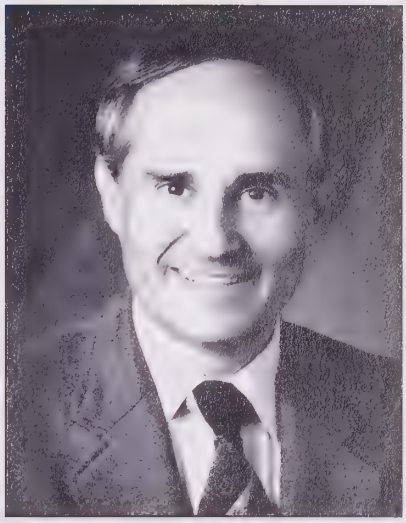
FISCAL OFFICERS

CHIEF ADMINISTRATIVE OFFICER

Walter F. Ekard

CHIEF FINANCIAL OFFICER/ AUDITOR AND CONTROLLER

William J. Kelly



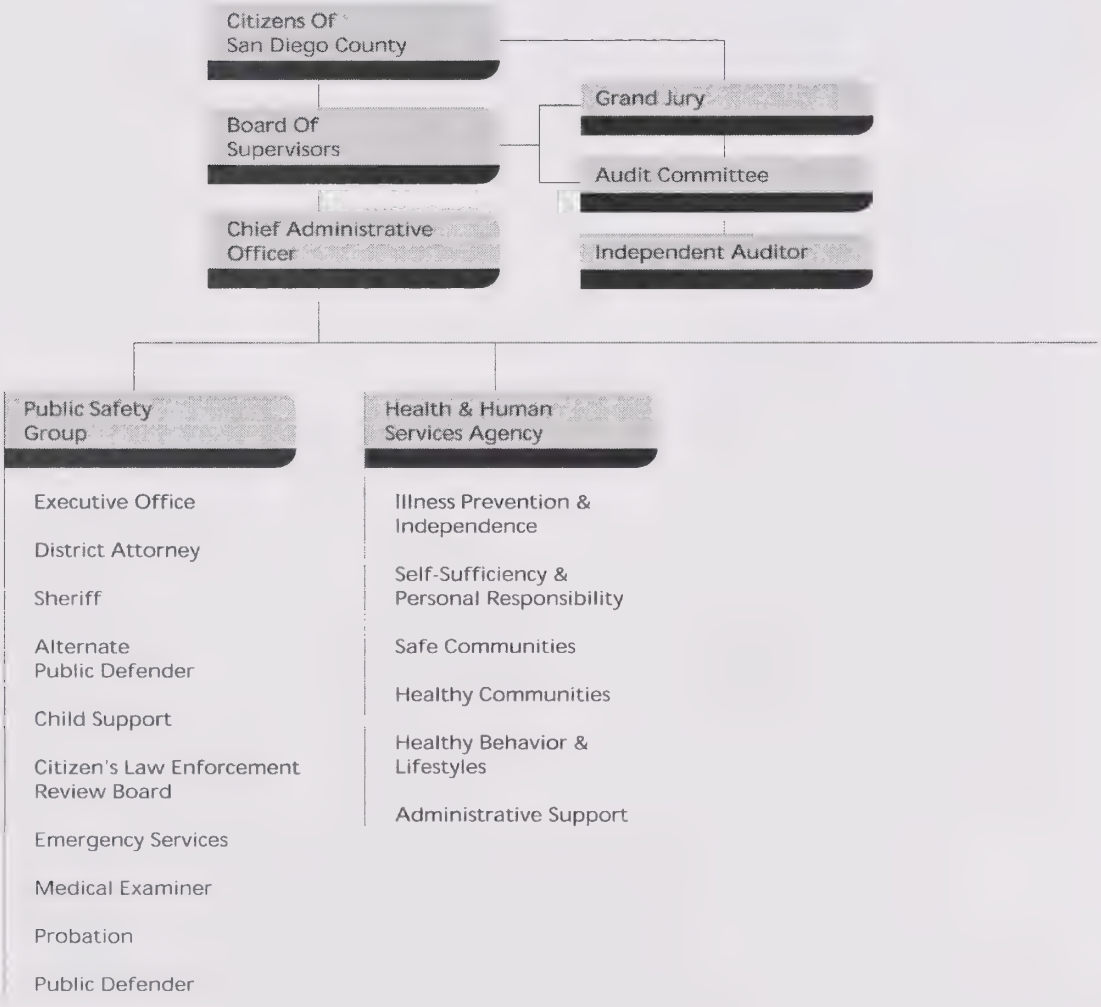
ASSESSOR/RECORDER/ COUNTY CLERK

Gregory J. Smith

TREASURER/TAX COLLECTOR

Bart J.Hartman

San Diego County Organizational Chart



Land Use & Environment Group
Executive Office
SanGIS
Trade & Business Development
Agriculture, Weights & Measures
Air Pollution Control District
Environmental Health
Farm & Home Advisor
Parks & Recreation
Planning & Land Use
Public Works
Community Services Group
Executive Office
Animal Services
County Library
General Services
Housing & Community Development
Purchasing & Contracting
Redevelopment Agency
Registrar Of Voters
Finance & General Government Group
Executive Office
Assessor/Recorder/ County Clerk
Treasurer-Tax Collector
Auditor & Controller
County Technology Office
Civil Service Commission
Clerk of the Board of Supervisors
County Counsel
Human Resources
Media & Public Relations
County Administration Center Major Maintenance

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FINANCIAL SECTION

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750 B Street
San Diego, CA 92101

Independent Auditors' Report

The Honorable Board of Supervisors
of the County of San Diego:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Diego, California (the County) as of and for the year ended June 30, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of San Diego, California as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1, the County has implemented a new financial reporting model, as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2001. The County also adopted the provisions of GASB Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

The accompanying management's discussion and analysis on pages 21 through 33, the budgetary comparison schedules on pages 86 through 89, and the schedule of funding progress on page 91 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of San Diego, California's basic financial statements. The introductory section, the combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

February 14, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the County of San Diego's (County) annual financial report provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2002. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides you with a clearer picture of the County's overall financial status. Comparative financial data is not required in the first year of implementing the new financial reporting model, Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," ("GASB 34")* and subsequent related GASB statements. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

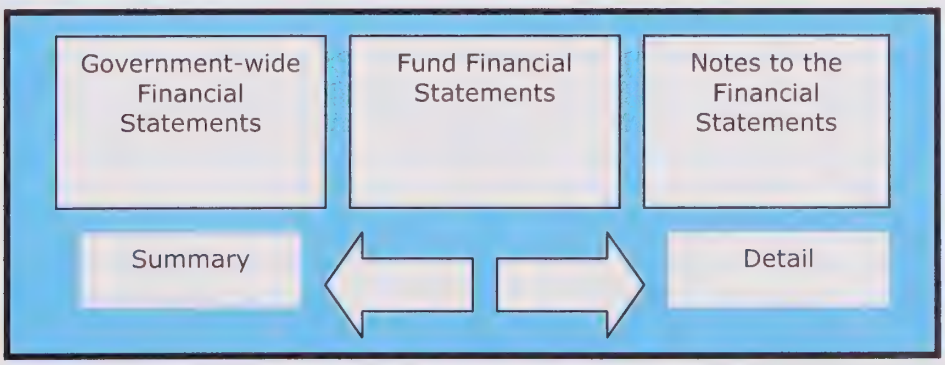
FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the fiscal year 2001-02 by $2.7 billion (*net assets)*. Of this amount, $316,404 (*unrestricted net assets)* may be used to meet ongoing obligations to citizens and creditors, $182,640 is restricted for specific purpose (*restricted net assets*), and $2.2 billion is invested in capital assets, net of related debt.
- The County's total net assets decreased by $4,394.
- The County's total long-term debt at June 30, 2002 was $1,448,066 equaling approximately 53 percent of total net assets ($2.7 billion).
- General revenues, special items and transfers were $1.1 billion. Of this amount, approximately 56 percent was attributable to state sales taxes and motor vehicle in lieu ($605,175) while Property taxes accounted for approximately 38 percent ($412,400).
- The net expense for governmental activities was $1.1 billion. Public protection accounted for approximately 46 percent of this amount or $497,341 while Health and sanitation accounted for 18 percent ($196,162).
- At June 30, 2002, the General Fund's total fund balance was $570,352. Of this amount, the unreserved-undesignated fund balance was $234,582 or approximately 11 percent of total fiscal year 2001-02 expenditures ($2.2 billion).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

The illustration below depicts the required components of the basic financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities).* The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreational and cultural. The business-type activities of the County include airport operations, transit services, liquid waste and sanitation districts.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains 28 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Tobacco Securitization Special Revenue Fund, and the Tobacco Securitization Corporation Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Supplementary Information section in this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Airport, Transit, Liquid Waste and Sanitation Districts. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Internal Service Funds are used to account for the financing of public works and communications equipment; the financing of materials and supplies (purchasing); for start up services for new and existing county service districts; for the County's uninsured risk management activities; the financing of fleet services; for General Services mail, printing and record storage services; for facilities management activities; for the financing of information technology services; and for the financing of clothing and personal sundry items for persons institutionalized at various county facilities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Airport, Liquid Waste, Transit, and Sanitation Districts are considered to be major funds of the County. The County's nine internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information is presented concerning the County General Fund budgetary schedule, and SDCERA pension schedules. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. In addition, a budgetary comparison schedule has been provided for the Tobacco Securitization special revenue fund for it was determined to be a major governmental fund. The SDCERA pension schedules have been provided to present SDCERA's progress in funding its obligation to provide pension benefits to County employees. Required supplementary information can be found on pages 81, 89-90 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds, enterprise and internal service funds and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated above, this is the first year that the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.* This reporting model changes significantly both the recording and presentation of financial data; therefore the County has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Net Assets
June 30, 2002
(In Thousands)

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and other assets	$ 1,656,805	84,625	1,741,430
Capital assets	2,618,279	66,371	2,684,650
Total assets	4,275,084	150,996	4,426,080
Liabilities:			
Long-term liabilities outstanding	1,448,066	477	1,448,543
Other liabilities	226,728	5,847	232,575
Total liabilities	1,674,794	6,324	1,681,118
Net assets:			
Invested in capital assets, Net of related debt	2,178,892	66,026	2,244,918
Restricted	148,489	34,151	182,640
Unrestricted	271,909	44,495	316,404
Total net assets	$ 2,599,290	144,672	2,743,962

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $2.7 billion at the close of fiscal year 2001-02. At the end of fiscal year 2001-02, the County had positive balances in all three categories of net assets.

The largest portion of the County's net assets (82 percent) reflects its investment of $2.2 billion in capital assets (e.g. land, infrastructure, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets represents unrestricted net assets of $316,404 (12 percent) that may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining portion of the County's net assets, $182,640 (7 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation, including those passed by the County itself.

Analysis of Changes in Net Assets
The County's net assets decreased by $4,394 during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Changes in Net Assets
June 30, 2002
(In Thousands)

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	$ 380,996	42,345	423,341
Operating grants and contributions	1,168,086	5,763	1,173,849
Capital grants and contributions	30,128	501	30,629
General revenues:			
Property taxes	412,400		412,400
Interest	38,166	2,694	40,860
State sales tax and motor vehicle in lieu	605,175		605,175
Other	5,011		5,011
Total Revenues	2,639,962	51,303	2,691,265
Expenses:			
General government	170,908		170,908
Public protection	823,520		823,520
Public ways and facilities	168,202		168,202
Health and sanitation	547,200		547,200
Public assistance	825,028		825,028
Education	24,119		24,119
Recreational and cultural	18,021		18,021
Interest on long-term debt	68,771		68,771
Airports		7,973	7,973
Liquid Waste		3,808	3,808
Transit		17,085	17,085
Sanitation		15,306	15,306
Total expenses	2,645,769	44,172	2,689,941
Excess (deficiency) before special item, extraordinary item and transfers	(5,807)	7,131	1,324
Special item: gain on sale of properties	1,054	(5,145)	(4,091)
Transfers	359	(359)	
Increase in net assets	(4,394)	1,627	(2,767)
Net assets at beginning of year	2,603,684	143,045	2,746,729
Net assets at end of year	$ 2,599,290	144,672	2,743,962

Governmental activities
Governmental activities decreased the County's net assets by $5,807. This decrease was due to the inclusion of depreciation for infrastructure assets as required by GASB 34.

Revenue
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County followed by Charges for Services. Operating Grants and Contributions are monies received from parties outside the County and are generally restricted to one or more specific programs. Examples of Operating Grants and Contributions include State and Federal revenue for public assistance programs and for health and sanitation programs. Charges for Services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include planning and engineering services, park and recreation fees, and law enforcement services provided to governmental agencies under contract. At the end of FY 2001-02, total revenue for the governmental activities including transfers from the business-type activities was approximately $2.6 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Other factors concerning the finances of the County's major governmental funds are discussed in the Governmental Funds section of the "Financial Analysis of the County's Funds."

Expenses
Total expenses for governmental activities were $2.6 billion. The majority of these expenses were spent for Public Assistance and Public Protection. Of the total expenses, approximately $1 billion, or 40 percent, were ultimately financed by taxes.

Business-type Activities
Business-type activities increased the County's net assets by $1,627.

Revenue
The County has four business-type activities: Airport, Liquid Waste, Transit and Sanitation. At June 30, 2002, the total revenues for the business-type activities were $51,303. In keeping with the intent of recovering all or a significant portion of their costs through user fees and charges, business-type activities reported Charges for Services as their largest source of revenue. Operating Grants and Contributions as well as Capital Grants and Contributions were the other program revenue sources for the business-type activities.

Expenses
At the end of fiscal year 2001-02, the business-type activities reported total expenses including transfers to the governmental activities of $44,531. The program revenues (Charges for services, Operating grants and contributions, and Capital grants and contributions) financed all the expenses recorded for the business-type activities.

Other factors concerning the finances of the County's enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Major Governmental Funds reported by the County include the General Fund, Tobacco Securitization Special Revenue Fund and Tobacco Securitization Corporation Debt Service Fund. Nonmajor Governmental Funds include Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $1.3 billion, an increase of $310,075 in comparison with the prior year. Approximately $855,138 of this total amount constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders ($160,525), (2) for Inactive Landfill Maintenance ($97,903), (3) to pay debt service ($27,921), and (4) for a variety of other purposes ($180,552).

GENERAL FUND
The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $355,155, while total fund balance was $570,352, a decrease of $47,932 from fiscal year 2000-01. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total General Fund expenditures of $2.2 billion, while total fund balance represents 25 percent of that same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The following are examples of the factors that contributed to the change in fund balance for the General Fund in fiscal year 2001-02:

Revenue:

Licenses Permits & Franchises
This increase is due to an additional $2.5 million in Franchise fees from Sempra Energy Company in calendar year 2001 recorded in fiscal year 2001-02. Additionally, the Licenses, Permits & Franchises increase is attributed to fee increases and the addition of 42 new fees approved by the Board of Supervisors in the Environmental Health department.

Revenue and Use of Money
This decrease is the result of a decrease in interest earnings. The interest earnings rate in fiscal year 2000-01 averaged 6.34 percent and the fiscal year 2001-02 average dropped to 3.78 percent. Another contributing factor to this General Fund interest decrease was the reduction in the Tax and Revenue Anticipation Note Program (TRANS) borrowing in fiscal year 2001-02 ($150 million) compared to what was borrowed in fiscal year 2000-01 ($175 million). This resulted in less cash on hand to earn interest.

Intergovernmental Revenue
A primary contributor to the overall decrease in Intergovernmental Revenue was the operational change brought on by the implementation of GASB 33 and 34 statements. In fiscal year 2000-01, Realignment, Proposition 172 and other funding activity was either recorded in Trust funds and revenue was moved to the General Fund in various accounts as expenditures were incurred in the General Fund; or, it was recorded directly in the General Fund (Vehicle License Fee Realignment funding). Beginning in fiscal year 2001-02, Realignment, Proposition 172 and other funding activity was budgeted in Special Revenue Funds and revenues were transferred via "transfers" to the General Fund, causing transfers in to increase while revenues decreased.

Miscellaneous Revenues
In fiscal year 2001-02, the County began recognizing external contributions for capital projects resulting in a $3.5 million increase in Miscellaneous Revenues. The County also received $2.2 million of one-time revenue from the Federal Government Southwest Board Assistance Program in fiscal year 2001-02. Finally, Miscellaneous Revenue also increased by $4.3 million in fiscal year 2001-02 due to traffic fine revenue (Senate Bill 12 and 612 Maddy funds).

Other Financing Sources
Other Financing Sources increased as a result of transfers in for Realignment ($248.5 million), Proposition 172 ($185.8 million), and Tobacco Securitization ($27.2 million).

Expenditures:

Public Protection
The increase in Public Protection is due to increases in the Sheriff's Department, Probation, District Attorney, and Child Support Services in fiscal year 2001-02 compared to fiscal year 2000-01.

Sheriff
In the Sheriff's Department, the majority of the salary and benefit changes were due to negotiated salary and benefit increases and safety members' retirement costs paid by the County. Staff increases resulted in increased costs of just over $5 million. Services and supplies increases were in several areas. The increase in vehicles was due to all vehicles having to be in an Internal Service Fund. The majority of Services and Supplies increase was carried over from fiscal year 2000-01 - rebudgeted Major Maintenance ($5.2 million) and Jail Information Management System ($4.5 million) and the Sheriff's Integrated Records Management System ($1.7 million).

Probation Department
In the Probation Department, the salary increases are due to additional staff associated with the programs implemented by Crime Prevention Act of 2000 (Assembly Bill 1913 or AB1913), and the Substance Abuse Prevention Trust Fund (Proposition 36). Also, retirement costs increased by $700,000. Services and supplies

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

increased due to contracted services associated with AB1913 and $5.9 million associated with increased information technology services due to the implementation of a new caseload management system - although only about $1.8 million of this was spent in fiscal year 2001-02.

District Attorney and Child Support Services
For the District Attorney and Child Support Services, staffing costs increased as a result of temporary staff becoming permanent staff in the newly established Child Support Services Department. The Services and Supplies increase is due to mid-year adjustments for costs incurred in relation to the further growth of this new department.

Additionally, the District Attorney had increases for an Information Technology system ($1.4 million), five hundred thousand dollars for major maintenance and about two hundred thousand dollars for space costs. Salary and benefits costs also increased due to the negotiated increases and safety members' retirement costs in fiscal year 2001-02.

Health and Sanitation
The increase in Health and Sanitation is due to increases in the Health Services area. Salaries & Benefits expenditures increased due to step increases and salary adjustments for existing staff, and for additional staff to monitor the implementation and operation of the Integrated Services to the Homeless Mentally Ill, Proposition 36, AB1913, Early and Periodic Screening, Diagnosis and Treatment and Therapeutic Behavioral Services (EPSDT/TBS), Children's Mental Health Services and to accommodate caseload growth for Adult Mental Health.

Services & Supplies expenditures increased due to the rise in costs of contracted and institutional services for Adult Mental Health and expansion of Children's Mental Health Services for SED (Aid for Severely Emotionally Disturbed Children) and foster care programs. Expenditures also increased due to the implementation of Proposition 36, AB1913, and the increased health promotion activities aimed at tobacco education (smoking prevention and cessation for both youth and adults and chronic disease prevention). Finally, expenditures increased related to HIV /AIDS Master Grant Testing Survey, and Advanced Life Support Services, California Healthcare for Indigents Program (CHIP) contracts, program enhancements in Tuberculosis, Immunizations, Sexually Transmitted Diseases and other health programs.

Recreational and Cultural
The increase in Recreational and Cultural services is attributed to an increase in Salaries and Benefits and Services and Supplies in the Department of Parks and Recreation. In fiscal year 2001-02, the department hired several new staff as part of the effort to increase monitoring and maintenance of environmental resources in open space and regional parks. Further, approximately $1 million was distributed to the department from reserves for major maintenance projects in fiscal 2000-01, many of which were carried over into fiscal 2001-02.

TOBACCO SECURITIZATION SPECIAL REVENUE FUND
This is a new Special Revenue Fund established in fiscal year 2001-02 to account for the $411 million (net of closing costs and reserve requirements) the County received from the Tobacco Securitization Debt Service Fund related to the sale of approximately 25 years of Tobacco Settlement revenue. The County will continue to invest these funds in investment products to maximize the sustained long-term use of these dollars.

TOBACCO SECURITIZATION CORPORATION DEBT SERVICE FUND
This is a new Debt Service Fund established in fiscal year 2001-02 to account for the $411 million (net of closing costs and reserve requirements) long term debt proceeds received from the sale of approximately 25 years of Tobacco Settlement revenue and the subsequent transfer of $411 million to the Tobacco Securitization Special Revenue Fund.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds financial statements provide separate information for the Airport, Liquid Waste, Transit and Sanitation Funds, all of which are considered to be major funds of the

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

County. Conversely, the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements with the individual fund data provided in combining statements, which can be found in the Supplemental Information section of this report.

Airport

Changes in the Revenues and Expenses of the Airport Enterprise Fund may be explained as follows:

- Grant revenue increased due to additional revenue from the Federal Aviation Administration.
- Salaries and Benefits increased in fiscal year 2001-02 due to cost of living increases and increased benefits costs.

Liquid Waste

Changes in the Revenue and Expenditures of the Liquid Waste Enterprise Fund may be explained as follows:

- Charges for Services increased due to the addition of a new project in fiscal year 2001-02 San Pasqual and an increase in Sanitation District project costs and related fees.
- Equipment Rental expenses decreased due to fewer projects that required rental equipment.

Transit

Changes in the Revenues and Expenses of the Transit Enterprise Fund may be explained as follows:

- Charges for Services increased due to additional Grant funding received related to Transit operations costs.
- Contracted Services increased due to additional Transit operation program costs.

At the end of fiscal year 2001-02 the Board of Supervisors authorized the divestiture of the Transit System. See the basic financial statements for additional details.

Sanitation Districts

Changes in the Revenues and Expenses of the Sanitation Districts may be explained as follows:

- Charges for Services increased due to growth in the service area for the Spring Valley Sanitation District.
- Repairs and Maintenance also increased due to growth in the service area for the Spring Valley Sanitation District.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the San Diego County Employees' Retirement Association (SDCERA, as a pension trust fund), an Investment Trust, and various Agency Funds. As of the end of fiscal year 2001-2002, the net assets of the Pension Trust Fund totaled $3.5 billion, representing a decrease of $283,287 in total net assets since June 30, 2001. The change is primarily related to decreases in the market value of the SDCERA's investments. The Investment Trust Fund's net assets totaled $1.9 billion, with an increase in net assets of $473,375, primarily resulting from an increase in Contributions on pooled investments due to new school bond issues, offset by an increase in Distribution from pooled investments relating to use of school bond moneys.

General Fund budgetary highlights

The County's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects and other supplemental appropriations approved during the fiscal year. Specifically, in fiscal year 2001-02, carry-forward appropriations totaled $90.3 million of which $46 million was for Capital Projects that had been previously budgeted, but not completed, $20.7 million was for Health and Human Services Agency contractual commitments and the remainder for various purchase orders and contracted services throughout the other County departments. Supplemental appropriations totaling $228 million were approved during the year. Significant activities included new capital projects ($26 million), aligning Health and Human Services program appropriations with State funding allocations ($40 million), self sufficiency programs utilizing CalWORKS incentive funds ($15.3 million), augmenting Management Reserves for future one-time projects ($51.8 million), payments to employees for incentives earned through the County's Quality First program ($22.3 million), maintenance of effort obligations for trial courts ($6.7 million) and converting the Child Support Department's child support system to the new State-wide system ($5.8 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Differences between the final budget and actual expenditures (on a budgetary basis) resulted in a $327.5 million decrease in total charges to appropriations. This is primarily due to the following factors:

- A decrease in expenditures by the Health and Human Services Agency of approximately $113 million related to reduced need for aid payments, lower service requirements and delays in putting some contracts into service. However, these expenditure reductions are almost entirely offset by decreases in Federal and State subvention funds.

- A decrease in expenditures by various Departments within the Public Safety group of approximately $14.7 million primarily due to fewer youth being sent to residential treatment, a delay in the implementation of the Synovations Case Management System and rescheduling of various major maintenance projects to fiscal year 2002-03.

- Savings of $52.6 million in salaries and benefits due to staff turnover and vacant positions throughout County departments.

- A decrease in expenditures of approximately $18.6 million in the General County Expenditures area resulting primarily from funds set aside for economic uncertainty and savings in ERP system payments.

- A decrease in expenditures in the Finance and General Government Group of $21.1 million is primarily attributed to savings in debt service payments as a result of restructuring or retiring bonds. Also, spending was less than originally anticipated due to delayed implementation of various information technology projects.

- Management Reserves totaling $65.9 million were not spent.

- The Contingency Reserve of $11 million was not spent.

During the year, actual revenues were less than budgetary estimates by $187 million. The majority of this amount is attributable to reduced expenditure levels in Health and Human Services, Probation and Child Support Services. However, General Purpose revenues (specifically property taxes, vehicle license fees, real property transfer tax and sales tax) exceeded budgeted amounts by $32 million. The County also started the fiscal year with an unappropriated-undesignated fund balance of approximately $134 million. Of this amount, $105 million was appropriated during fiscal year 2001-02, leaving a balance of $29 million. The net effect of the remaining undesignated fund balance, the receipt of actual revenues greater than estimates, combined with expenditures less than appropriations, resulted in a positive undesignated fund balance of $234.6 million for fiscal year 2001-02.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2002, the County's capital assets for both the governmental and business-type activities amounted to $2.7 billion net of accumulated depreciation. The investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (including roads, bridges, flood channels, and traffic signals). The following lists the significant expenditures for capital assets in FY 2001-02:

Governmental Activities

- $9,100 for acquisition of real property at Santa Ysabel creek for the purposes of wildlife habitat preservation and restoration.

- $8,305 for payments to the Information Technology Internal Service Fund for expenditures incurred related to the County's Enterprise Resource Planning project.

- $7,783 for the renovations to the San Pasqual Academy. Total project estimated at $14,900.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- $7,361 for acquisition of real property for the replacement of the Downtown Courthouse.
- $5,157 towards the construction of the East Mesa Juvenile Detention Facility. Total project estimated at $52,800.
- $4,498 for in acquisitions for the Multiple Species Conservation Program.
- $3,309 towards the construction of the Rancho San Diego Library. Total project estimated at $5,100.
- $2,726 towards the construction of the Valley Center Library. Total project estimated at $4,400.
- $2,424 towards the construction of the Assessor Recorder County Clerk building at the South Bay Regional Center. Total project estimated at $3,496.
- $2,205 towards the Kearny Mesa Assessor Recorder County Clerk building. Total project estimated at $6,867.
- $2,175 for the North County Regional Center Courthouse Annex Remodel. Total project estimated at $5,350.

Business-Type Activities

- $4,593 for Ramona Airport extension Runway/Lighting - FY 01/02 expenditures were to extend the Ramona Airport runway 1,000 feet and provide required lighting.
- In 1979, a joint powers agreement was entered into by 9 County Sanitation Districts for the construction and maintenance of an operation center known as the South County Liquid Waste Collection and Transmission Center (SCLWCTC). The cost of the SCLWCTC was allocated to and capitalized in each of the sanitation districts. In 2002, as a result of the new reporting requirements, management made the decision to consolidate and transfer the operation center costs of $445 to the Liquid Waste Enterprise Fund in order to simplify the accounting and depreciation

For government-wide financial statement presentation, governmental fund depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the County's capital assets can be found in the notes to basic financial statements.

Debt Administration

At June 30, 2002, the County had total long-term obligations outstanding of $721 million and no outstanding general obligation bonds. Of this amount, $434 million pertains to the issuance of Certificates of Participation, $5 million pertains to third-party leases and $283 million pertains to Pension Obligation Bonds.

During fiscal year 2001-02, the County's total bonded debt decreased by approximately $67 million, due to the pay down of scheduled principal payments, the early payoff of the 2000 San Pasqual Academy Certificates of Participation ($6 million) and the early payoff of the 2001 Interim Justice Refunding Certificate of Participation ($18 million).

The County's credit ratings on its bonded program are as follows:

	Moody's	Standard & Poor's	Fitch IBCA, Duff & Phelps
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds	Aa3	AA-	Not rated

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

In addition the County has an Issuer Credit Rating of AA2 from Moody's and AA from Standard & Poor's. These ratings reflect the County's favorable general credit characteristics, which include a strong local economy, a sound financial position and a moderate debt profile. However, on October 2002, Moody's placed a negative outlook on all California county debt (except San Francisco). This is a result of the State of California's pending decision to divert revenue from local governments due to any budget shortfall.

Useful bond ratios to management, citizens, and investors are as follows:

	FY 2002	FY 2001
Net Bonded Debt	$690,308	$746,650
Net Bonded Debt per Capita	$237	$259
Ratio of Net Bonded Debt to Assessed Value	.32 percent	.38 percent

In March of 2002, the County implemented a new enhanced retirement package resulting in the increased unfunded accrued actuarial liability to the San Diego County Employees Retirement Association. In September 2002, the County issued $737.3 million of taxable Pension Obligation Bonds to finance a portion of this liability.

Additional information in the County's long-term debt can be found in the notes to basic financial statements.

Economic factors and next year's budget and rates

- The fiscal year 2002-03 budget utilized $83.5 million out of the $234.6 million in available undesignated fund balance. Fund balance is used as a source of funds for one-time items.

- The development of the FY 2002-03 Budget was based on expectations for demand for services and availability of funding to support those services. Two related factors pose significant negative risks to our expectations, the State of California's budget crisis and the continuing weakness of the State's economy.

- The U.S. and California economies continue to give mixed signals regarding solid growth. The San Diego economy continues to show positive growth but at a slower rate than the prior three years (e.g., gross regional product at 7.7 percent for 2000, at 2.2 percent for 2001, and at 1.8 percent for 2002). The County's General Purpose Revenues (i.e., property tax, vehicle license fees, sales tax, real property transfer tax, transient occupancy tax and other minor revenues) continue to increase. Specifically:

    - Our two biggest sources of General Purpose Revenues are property taxes and vehicle license fees (VLF) representing 84 percent of the total. Neither property taxes nor vehicle license fees have been directly impacted by the downturn in the economy. Property taxes for fiscal year 2002-03 are budgeted to exceed fiscal year 2001-02 actuals by 7.3 percent and VLF revenue is budgeted to grow by 2 percent. Beginning in 1998, however, the State reduced the vehicle license fees paid by the vehicle owners and backfilled the revenue loss to counties and cities from State general funds. The Governor, in order to remedy FY 2002-03 and FY 2003-04 State budget problems, is now proposing to eliminate the backfill to cities and counties beginning in February 2003. If approved by the legislature, the loss to San Diego County would be approximately $60 million or 10 percent of our FY 2002-03 General Purpose revenues. For fiscal year 2003-04, the loss would be approximately $125 million or 20 percent of our anticipated General Purpose Revenues. Impacts to County services are as yet uncertain.

    - Sales tax, approximately 3 percent of General Purpose Revenues, has been more sensitive to the slowdown, and was budgeted at 9 percent below FY 2001-02 actuals but 5 percent above the FY 2001-02 budgeted level.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- The real property transfer tax also makes up about 3 percent of the General Purpose Revenues. It is based on the dollar value of property sales and has been favorably impacted by the active real estate markets in the current environment of low interest rates. This revenue, too, was budgeted at 9.7 percent below FY 2001-02 actuals, but 2 percent above the FY 2001-02 budgeted level.

- The Governor of California has estimated a budget shortfall in fiscal year 2003 of $10.2 billion (in the December 2002 proposal) and $24.4 billion in the budget year (fiscal year 2003-04), for a total of $34.6 billion. The Governor has proposed several measures to balance the State's budget, many of which, if approved by the legislature, will have significant consequences for County services both in fiscal year 2002-03 and fiscal year 2003-04. Any requirements for mid-year (FY 2002-03) service reductions will be brought to the Board of Supervisors for consideration and action.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, San Diego, California 92101.

Basic Financial Statements

STATEMENT OF NET ASSETS
June 30, 2002
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Equity in pooled cash and investments	$ 737,268	67,943	805,211	133,176
Cash with fiscal agent	486,656		486,656	51,889
Collections in transit	4,960	26	4,986	
Imprest cash	537	2	539	
Investments	2		2	
Accounts and notes receivable	335,205	7,064	342,269	7,920
Taxes receivable	3,070		3,070	
Internal balances	(7)	7		
Advances to other funds		9,476	9,476	
Inventory of materials and supplies	12,459	107	12,566	
Deposits with others	4,204		4,204	
Total current assets	1,584,354	84,625	1,668,979	192,985
Restricted assets:				
Investments	71,451		71,451	
Noncurrent assets:				
Long term receivable				403,868
Deferred charges				16,387
Capital assets:				
Land and construction in progress	493,767	14,667	508,434	
Other capital assets, net of depreciation	2,124,512	51,704	2,176,216	
Total noncurrent assets	2,689,730	66,371	2,756,101	420,255
Total assets	4,274,084	150,996	4,425,080	613,240
LIABILITIES				
Current liabilities:				
Accounts payable	115,767	5,674	121,441	889
Accrued payroll	36,449	161	36,610	
Accrued interest	14,745		14,745	2,113
Advances from other funds	9,476		9,476	
Deferred revenue	50,291	12	50,303	
Current portion of long-term obligations	124,136	5	124,141	3,385
Total current liabilities	350,864	5,852	356,716	6,387
Noncurrent liabilities:				
Noncurrent portion of long-term obligation	1,323,930	472	1,324,402	455,410
Total noncurrent liabilities	1,323,930	472	1,324,402	455,410
Total liabilities	1,674,794	6,324	1,681,118	461,797
NET ASSETS				
Invested in capital assets, net of related debt	2,178,892	66,026	2,244,918	
Restricted for:				
Capital projects		34,151	34,151	
Debt service	8,031		8,031	
Inactive landfill maintenance	97,903		97,903	
Other purposes	42,555		42,555	
Unrestricted	271,909	44,495	316,404	151,443
Total net asssets	$ 2,599,290	144,672	2,743,962	151,443

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2002
(In Thousands)

Functions/Programs		Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	$	170,908	94,805	1,357	5,353
Public protection		823,520	166,900	158,638	641
Public ways and facilities		168,202	19,991	51,211	10,565
Public assistance		825,028	10,384	685,332	
Health and sanitation		547,200	81,441	269,300	297
Recreational and cultural		18,021	5,995	294	13,272
Education		24,119	1,480	1,954	
Interest expense		68,771			
Total governmental activities		2,645,769	380,996	1,168,086	30,128
Business-type activities:					
Airport		7,973	5,479	5,763	501
Liquid waste		3,808	4,106		
Transit		17,085	17,047		
Sanitation Districts		15,306	15,713		
Total business-type activities		44,172	42,345	5,763	501
Total primary government		2,689,941	423,341	1,173,849	30,629
Component units:					
Children & families commission		18,974	123	1,668	
Tobacco authority		13,208		5,408	
Total component units	$	32,182	123	7,076	

General revenues:	
Taxes:	
Property taxes	
Interest	
Franchise taxes	
State sales tax and motor vehicle in lieu	
Special item-gain on sale of properties	
Transfers	
Total general revenues, special items, extraordinary items and transfers	
Change in net assets	
Net assets--beginning	
Net assets--ending	

(Cont)

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2002
(In Thousands)

(Cont)

Net(Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	Functions/Programs
				Primary government:
				Governmental activities:
(69,393)		(69,393)		General government
(497,341)		(497,341)		Public protection
(86,435)		(86,435)		Public ways and facilities
(129,312)		(129,312)		Public assistance
(196,162)		(196,162)		Health and sanitation
1,540		1,540		Recreational and cultural
(20,685)		(20,685)		Education
(68,771)		(68,771)		Interest expense
(1,066,559)		(1,066,559)		Total governmental activities
				Business-type activities:
	3,770	3,770		Airport
	298	298		Liquid waste
	(38)	(38)		Transit
	407	407		Sanitation districts
	4,437	4,437		Total business-type activities
(1,066,559)	4,437	(1,062,122)		Total primary government
				Component Units:
			(17,183)	Children & families commission
			(7,800)	Tobacco authority
			(24,983)	Total component units
				General revenues:
				Taxes:
412,400		412,400	23,672	Property taxes
38,166	2,694	40,860		Interest
5,011		5,011		Franchise taxes
605,175		605,175	40,940	State sales tax and motor vehicle in lieu
1,054	(5,145)	(4,091)		Special item-gain on sale of properties
359	(359)			Transfers
1,062,165	(2,810)	1,059,355	64,612	Total general revenues, special items, extraordinary items and transfers
(4,394)	1,627	(2,767)	39,629	Change in net assets
2,603,684	143,045	2,746,729	111,814	Net assets--beginning
2,599,290	144,672	2,743,962	151,443	Net assets--ending

The notes to the basic financial statements are an integral part of this statement

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002
(In Thousands)

		General Fund	Tobacco Securitization Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS					
Equity in pooled cash and investments	$	321,938	2,364	265,187	589,489
Cash with fiscal agent		9,074	389,580	41,384	440,038
Collections in transit		3,877		625	4,502
Imprest cash		312		17	329
Investments		2			2
Taxes receivable		127			127
Accounts and notes receivable		181,829	220	99,218	281,267
Due from other funds		198,696	20	30,032	228,748
Advances to other funds		689		550	1,239
Inventory of materials and supplies		7,804		2,736	10,540
Deposits with others				200	200
Restricted assets:					
Investments				71,451	71,451
Total assets		724,348	392,184	511,400	1,627,932
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		45,437		12,371	57,808
Accrued payroll		33,531		1,947	35,478
Due to other funds		23,152	4,802	116,161	144,115
Advances from other funds				10,974	10,974
Deferred revenue		51,876		5,642	57,518
Total liabilities		153,996	4,802	147,095	305,893
Fund Balances:					
Reserved for encumbrances		98,676		61,849	160,525
Reserved for notes receivable and advances		6,866		26,417	33,283
Reserved for deposits with others				193	193
Reserved for inactive landfill maintenance				97,903	97,903
Reserved for inventory of materials and supplies		7,804		258	8,062
Reserved for debt service				27,921	27,921
Reserved for other purposes		101,851		37,163	139,014
Unreserved:					
Designated for subsequent years' expenditures		120,573			120,573
Undesignated		234,582	387,382		621,964
Unreserved, reported in nonmajor:					
Special revenue funds				98,183	98,183
Capital projects funds				14,418	14,418
Total fund balances		570,352	387,382	364,305	1,322,039
Total liabilities and fund balances	$	724,348	392,184	511,400	1,627,932

The notes to the basic financial statements are an integral part of this statement

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2002
(In Thousands)

Total fund balances-govenmental funds	$1,322,039
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.	2,529,805
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	15,557
Bond discounts are expended in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.	3,991
Liabilities for long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(7,686)
Governmental accrue property tax revenue which is deemed collectible in sixty days. However, it is recorded as a current asset in the statement of net assets.	2,943
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(14,744)
Bond premiums are recognized as revenue in governmental funds in the year of sale and are recorded as a liability and amortized over the life of the corresponding bonds for purposes of the statement of net assets.	(644)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are recorded in the statement of net assets. Also, during the year the County refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance.	(1,344,736)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individuals funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	92,765
Net assets of governmental activities	$2,599,290

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2002
(In Thousands)

	General Fund	Tobacco Securitization Special Revenue Fund	Tobacco Securitization Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 369,199			40,770	409,969
Licenses, permits and franchises	28,250			9,558	37,808
Fines, forfeitures and penalties	33,978			5,713	39,691
Revenue from use of money and property	22,020	2,730		20,817	45,567
Aid from other governmental agencies:					
State	646,680			492,664	1,139,344
Federal	495,775			78,227	574,002
Other	43,150			14,627	57,777
Charges for current services	211,727			39,291	251,018
Other revenue	37,092		26,205	6,906	70,203
Total revenues	1,887,871	2,730	26,205	708,573	2,625,379
Expenditures:					
Current:					
General	148,326			8,191	156,517
Public protection	788,698			20,487	809,185
Public ways and facilities	3,185			92,751	95,936
Health and sanitation	524,974			23,653	548,627
Public assistance	755,737			71,492	827,229
Education	473			23,532	24,005
Recreational and cultural	14,734			1,780	16,514
Capital outlay				72,341	72,341
Debt service:					
Principal			8,045	93,493	101,538
Interest	5,495		18,160	44,118	67,773
Total expenditures	2,241,622		26,205	451,838	2,719,665
Excess of revenues over (under) expenditures	(353,751)	2,730		256,735	(94,286)
Other Financing Sources (Uses):					
Sale of capital assets				2,230	2,230
Long term debt proceeds			411,913		411,913
Transfers in	465,910	411,913		310,682	1,188,505
Transfers (out)	(159,825)	(27,261)	(411,913)	(597,996)	(1,196,995)
Proceeds of refunding bonds				65,319	65,319
Payment to refunded bond escrow agent				(66,254)	(66,254)
Total other financing sources (uses)	306,085	384,652		(286,019)	404,718
Excess of revenues over (under) expenditures and other financing sources (uses)	(47,666)	387,382		(29,284)	310,432
Fund balances - beginning of year	618,284			393,680	1,011,964
Increase (decrease) in:					
Reserve for inventory of materials and supplies	(266)			(91)	(357)
Fund balances - end of year	$ 570,352	387,382	0	364,305	1,322,039

The notes to the basic financial statements are an integral part of this statement

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2002
(In Thousands)

Net change in fund balances-total governmental funds	$310,432
Long-term revenues are not available as current resources, and therefore are not reported as revenue in the governmental funds. This decrease in revenue is the fiscal year 2001-02 affect of the reduction in deferred revenue.	(2,992)
Governmental funds accrue property tax revenue which is deemed collectible whithin sixty days. However, in the statement of activities, the total amount should be accrued.	2,943
The proceeds from the sale of land and structures are reported as revenue (as a special item) in the governmental funds. However, the cost of the land and structure sold is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "gain on sale of Capital Assets" in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.	(1,176)
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the depreciation expense charged for the year.	(21,299)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service fund's costs for the year.	6,887
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements however, issuing debt increases long-term liabilities in the statement of net assets and does not effect the statement of activities.	(438,617)
Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term debt was reduced by the amount of principal payments made to bond holders.	109,400
Repayment of capital lease principal payments are reported as an expenditure in government funds and, thus has the net effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's capital lease obligation was reduced in two ways. Principal payments were made to the lessees and principal payments were made to an escrow agent to refund a capital lease with a general bond instrument.	31,150
Interest expense in the statement of activities differs from the amount reported in governmental funds because interest was calculated for bonds and notes payable and amortization of bond discounts, and premiums which are expended within the fund statements.	(765)
Reserve for inventory of materials and supplies	(357)
Change in net assets of governmental activities	($4,394)

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2002
(In Thousands)

	Enterprise Funds		
	Airport	Liquid Waste	Transit
ASSETS			
Current assets:			
Equity in pooled cash and investments	$ 462	1,490	3,131
Cash with fiscal agent			
Collections in transit	5		1
Imprest cash	1	1	
Accounts and notes receivable	5,906	1	615
Due from other funds	622	609	44
Advances to other funds	9,637		
Inventory of materials and supplies	69	38	
Other current assets			
Total current assets	16,702	2,139	3,791
Capital assets:			
Land	6,401	20	
Construction in progress	6,734		
Buildings and equipment	28,715	898	
Infrastructure			
Less accumulated depreciation	(17,425)	(430)	
Total noncurrent assets	24,425	488	
Total assets	41,127	2,627	3,791
LIABILITIES			
Current liabilities:			
Accounts payable	1,866	4	3,624
Accrued payroll	72	89	
Accrued interest			
Due to other funds	351	86	167
Claims and judgements			
Advances from other funds			
Compensated absences	10	18	
Deferred revenue	12		
Bonds, notes and loans payable			
Total current liabilities	2,311	197	3,791
Noncurrent liabilities:			
Compensated absences	92	157	
Claims and judgments			
Bonds, notes and loans payable			
Total long-term liabilities	92	157	
Total liabilities	2,403	354	3,791
NET ASSETS			
Invested in capital assets, net of related debt	24,425	488	
Restricted for:			
Capital projects			
Other purposes			
Unrestricted (deficit)	14,299	1,785	
Total net assets	$ 38,724	2,273	

(Cont)

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2002
(In Thousands)

(Cont)

	Enterprise Funds		Internal Service Funds
	Sanitation Districts	Total	
ASSETS			
Current assets:			
Equity in pooled cash and investments	$ 62,860	67,943	147,779
Cash with fiscal agent			46,618
Collections in transit	20	26	458
Imprest cash		2	208
Accounts and notes receivable		6,522	3,724
Due from other funds	476	1,751	25,492
Advances to other funds	135	9,772	259
Inventory of materials and supplies		107	1,919
Other current assets			13
Total current assets	63,491	86,123	226,470
Capital assets:			
Land	1,069	7,490	
Construction in progress	443	7,177	37,626
Buildings and equipment	2,181	31,794	93,377
Infrastructure	62,238	62,238	
Less accumulated depreciation	(24,473)	(42,328)	(42,529)
Total noncurrent assets	41,458	66,371	88,474
Total assets	104,949	152,494	314,944
LIABILITIES			
Current liabilities:			
Accounts payable	180	5,674	57,981
Accrued payroll		161	971
Accrued interest			1
Due to other funds	473	1,077	60,021
Claims and judgements			32,760
Advances from other funds	296	296	
Compensated absences		28	198
Deferred revenue		12	
Bonds, notes and loans payable	5	5	2,695
Total current liabilities	954	7,253	154,627
Noncurrent liabilities:			
Compensated absences		249	1,783
Claims and judgments			65,034
Bonds, notes and loans payable	195	195	860
Total long-term liabilities	195	444	67,677
Total liabilities	1,149	7,697	222,304
NET ASSETS			
Invested in capital assets, net of related debt	41,113	66,026	87,523
Restricted for:			
Capital projects	34,151	34,151	
Other purposes			267
Unrestricted (deficit)	28,536	44,620	4,850
Total net assets	$ 103,800	144,797	92,640
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities		(125)	
Net assets of business-type activities		$ 144,672	

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2002
(In Thousands)

		Enterprise Funds		
		Airport	Liquid Waste	Transit
OPERATING REVENUES				
Charges for services	$	5,479	4,106	17,047
Miscellaneous				
Total operating revenue		5,479	4,106	17,047
OPERATING EXPENSES				
Salaries		1,909	2,378	
Repairs and maintenance		236	108	376
Equipment rental		153	267	
Sewage processing				
Contracted services		2,773	748	14,761
Depreciation		2,118	30	1,059
Utilities		137		1
Cost of material				
Claims and judgements				
Fuel				
Other operating expenses		635	279	773
Total operating expenses		7,961	3,810	16,970
Operating income (loss)		(2,482)	296	77
NONOPERATING REVENUES (EXPENSES)				
Interest and dividends		173	135	94
Grants		5,763		
Interest expense				
Other nonoperating revenue				
Interest on long-term debt				
Loss on disposal of equipment		(241)		(4,494)
Other				
Total nonoperating revenues (expenses)		5,695	135	(4,400)
Income (loss) before contributions and transfers		3,213	431	(4,323)
Capital contributions			445	
Transfers in		502	7	
Transfers (out)		(904)	(124)	
Change in net assets		2,811	759	(4,323)
Total net assets--beginning		35,913	1,514	4,323
Total net assets--ending	$	38,724	2,273	

(Cont)

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2002
(In Thousands)

(Cont)

	Enterprise Funds		Internal Service Funds
	Sanitation Districts	Total	
OPERATING REVENUES			
Charges for services	$ 15,713	42,345	289,850
Miscellaneous			2,478
Total operating revenue	15,713	42,345	292,328
OPERATING EXPENSES			
Salaries		4,287	24,339
Repairs and maintenance	2,011	2,731	30,635
Equipment rental		420	1,433
Sewage processing	10,706	10,706	
Contracted services		18,282	118,800
Depreciation	1,293	4,500	8,074
Utilities		138	17,361
Cost of material			44,063
Claims and judgement			46,344
Fuel			3,956
Other operating expenses	1,278	2,965	7,280
Total Operating expenses	15,288	44,029	302,285
Operating income (loss)	425	(1,684)	(9,957)
NONOPERATING REVENUES (EXPENSES)			
Interest	2,286	2,688	2,602
Grants		5,763	
Interest expense	(16)	(16)	
Other nonoperating revenue	6	6	
Interest on long-term debt			(233)
Loss on disposal of equipment	(410)	(5,145)	(3,315)
Other	(2)	(2)	
Total nonoperating revenues (expenses)	1,864	3,294	(946)
Income (loss) before contributions and transfers	2,289	1,610	(10,903)
Capital contributions	56	501	8,816
Transfers in	192	701	12,314
Transfers (out)	(32)	(1,060)	(3,465)
Change in net assets	2,505	1,752	6,762
Total net assets--beginning	101,295		85,878
Total net assets--ending	$ 103,800		92,640
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.		(125)	
Change in net assets of business-type activities		$ 1,627	

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30,2002
(In Thousands)

	Enterprise Funds		
	Airports	Liquid Waste	Transit
Cash flows from operating activities:			
Cash received from customers	$ 4,439	3,836	15,179
Cash received from other funds			
Cash payments to suppliers	(1,844)	(244)	(12,280)
Cash payments to employees	(1,909)	(2,361)	
Cash payments to other funds	(1,744)	(1,206)	(1,462)
Net cash provided to operating activities	(1,058)	25	1,437
Cash flows from non-capital financing activities:			
Property taxes			
Transfers from (to) other funds	(402)	(117)	
Advances from (to) other funds			
Net cash used for non-capital financing activities	(402)	(117)	
Cash flows from capital and related			
Financing activities:			
Loans from other funds	(90)		
Loan to other funds	15		
Grant revenue	1,167		
Acquisition of capital assets	(5,822)		(1,284)
Payment to suppliers	1,386		
Capital contributions			
Proceeds from sale of equipment			43
Principal paid on long-term debt			
Interest paid on long-term debt			
Net cash used for capital and related financing activities	(3,344)		(1,241)
Cash flows from investing activities:			
Interest	220	155	113
Net increase (decrease) in cash & cash equivalents	(4,584)	63	309
Cash and cash equivalents - beginning of year	5,052	1,428	2,823
Cash and cash equivalents - end of year	468	1,491	3,132
Reconciliation of operating income:			
Operating income (loss)	(2,482)	296	77
Adjustments to reconcile:			
Inc (dec) in compensated absences	(8)	7	
Inc (dec) in accrued payroll	9	12	
Inc (dec) in due to other funds	39	(56)	102
Inc (dec) in accounts payable	302	(1)	2,067
Inc (dec) in claims and judgements			
Dec (inc) in accounts receivable	(1,204)	26	(339)
Dec (inc) in inventory	3	8	
Dec (inc) in deferred credits			(1,505)
Dec (inc) in due from other funds	167	(297)	(24)
Dec (inc) in due from other funds-loans	(2)		
Depreciation	2,118	30	1,059
Net cash provided by operating activities	$ (1,058)	25	1,437
Non-cash investing, capital financing activities:			
Accrued interest	48	20	19
Capital asset transfers			

(Cont)

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30,2002
(In Thousands)

(Cont)

	Enterprise Funds		Internal Service Funds
	Sanitation Districts	Total	
Cash flows from operating activities:			
Cash received from customers	$ 15,714	39,168	75,999
Cash received from other funds	(6)	(6)	212,588
Cash payments to suppliers	(11,529)	(25,897)	(177,443)
Cash Payments to employees		(4,270)	(24,182)
Cash payments to other funds	(2,100)	(6,512)	(33,769)
Net cash provided to operating activities	2,079	2,483	53,193
Cash flows from non-capital financing activities:			
Property taxes	6	6	
Transfers from (to) other funds	160	(359)	8,849
Advances from (to) other funds			(51)
Net cash used for non-capital financing activities	166	(353)	8,798
Cash flows from capital and related financing activities:			
Loans from other funds		(90)	
Loan to other funds		15	
Grant revenue		1,167	
Acquisition of capital assets	(396)	(7,502)	(24,465)
Payment to suppliers		1,386	
Capital contributions	57	57	8,306
Proceeds from sale of equipment		43	760
Principal paid on long-term debt	(45)	(45)	(2,310)
Interest paid on long-term debt	(20)	(20)	(273)
Net cash used for capital and related financing activities	(404)	(4,989)	(17,982)
Cash flows from investing activities:			
Interest	2,671	3,159	2,742
Net increase (decrease) in cash & cash equivalents	4,512	300	46,751
Cash and cash equivalents - beginning of year	58,368	67,671	148,312
Cash and cash equivalents - end of year	62,880	67,971	195,063
Reconciliation of operating income:			
Operating income (loss)	425	(1,684)	(9,957)
Adjustments to reconcile:			
Inc (dec) in compensated absences		(1)	29
Inc (dec) in accrued payroll		21	142
Inc (dec) in due to other funds	236	321	423
Inc (dec) in accounts payable	130	2,498	44,292
Inc (dec) in claims and judgements			13,584
Dec (inc) in accounts receivable		(1,517)	(1,698)
Dec (inc) in inventory		11	248
Dec (inc) in deferred credits		(1,505)	
Dec (inc) in due from other funds	(5)	(159)	(1,944)
Dec (inc) in due from other funds-loans		(2)	
Depreciation	1,293	4,500	8,074
Net cash provided by operating activities	2,079	2,483	53,193
Non-cash investing, capital financing activities:			
Accrued interest	337	424	
Capital asset transfers	$ (372)	(372)	

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2002
(In Thousands)

		Pension Trust Fund	Investment Trust Fund	Agency Funds
ASSETS				
Equity in pooled cash and investments	$	5,364	1,886,644	424,250
Cash with fiscal agent		153,191		5,835
Collections in transit			280	14,949
Imprest cash			31	5
Investments		3,647,598	113	1
Taxes receivable				218,446
Accounts receivable		38,591		13,351
Due from other funds		2,118	54,634	1,323
Capital assets, net		2,621		
Total assets		3,849,483	1,941,702	678,160
LIABILITIES				
Accounts payable		65,132		934
Due to other funds		23	7,618	101,212
Obligations under securities lending		250,748		
Due to other governments				515,914
Amount due for commercial Paper notes				60,100
Total liabilities		315,903	7,618	678,160
NET ASSETS				
Held in trust for pension benefits and other purposes	$	3,533,580	1,934,084	

The notes to the basic financial statements are an integral part of this statement

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2002
(In Thousands)

		Pension Trust Fund	Investment Trust Fund
ADDITIONS:			
Contributions:			
Employer	$	50,581	
Plan members		17,346	
Contributions on pooled investments			14,349,655
Total contributions		67,927	14,349,655
Investment earnings:			
Net (decrease) in fair value of investments		(342,217)	
Interest income		69,564	
Securities lending income		6,230	
Other income		56,527	63,157
Total investment earnings		(209,896)	63,157
Less investment expenses		(39,747)	
Less securities lending expenses		(5,363)	
Net investment earnings		(164,786)	
Total additions		(96,859)	14,412,812
DEDUCTIONS:			
Benefits		177,906	
Refunds of contributions		890	
Distribution from pooled investments		7,632	13,939,788
Total deductions		186,428	13,939,788
Changes in net assets		(283,287)	473,024
Net assets - beginning of year		3,816,867	1,461,060
Net assets - end of year	$	3,533,580	1,934,084

The notes to the basic financial statements are an integral part of this statement

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(1) Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies:

(A) The Financial Reporting Entity

The County of San Diego is a political subdivision of the State of California (the "State") charged with general governmental powers and governed by an elected five-member Board of Supervisors (the "Board"). The County provides a full range of general government services. As required by generally accepted accounting principles, these financial statements present the County of San Diego (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the County Board of Supervisors is typically their governing body. They are reported as if they were part of the primary government, because they benefit the County exclusively. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. These units are discretely presented because their Boards are not substantively the same as the County's Board and they do not provide services entirely or almost entirely to the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," to determine whether the following component units should be reported as blended or discretely presented component units.

(B) Blended Component Units

County Service Districts – These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties. These funds are included as special revenue funds.

Flood Control District – This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants. This fund is included as a special revenue fund.

Lighting Maintenance District - This fund was established to provide street and road lighting services to specified areas of the county. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners. This fund is included as a special revenue fund.

Air Pollution Control District – This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health-based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees. This fund is included as a special revenue fund.

San Diego County Housing Authority – This fund accounts for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources. This fund is included as a special revenue fund.

Sanitation Districts – These funds are used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors. They are included as enterprise funds.

San Diego County Redevelopment Agency – This agency was established to provide a method of eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the County. This agency is included in the debt service and capital projects funds.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

San Diego County Capital Asset Leasing Corporation (SANCAL) – This corporation was established to finance the acquisition of county buildings and equipment. It is a nonprofit corporation governed by a five-member Board of Directors, which is appointed by the County Board of Supervisors. This corporation is included in the special revenue, debt service and capital projects funds.

San Diego County Employees' Retirement Association (SDCERA) – This fund is a legally separate entity reported as if it were part of the primary government, because it exclusively benefits the County by providing pensions for retired County employees. This fund is included in the fiduciary funds.

County of San Diego In-Home Supportive Services Public Authority (IHSS) – This fund was established to serve as the employer of record for the IHSS program which provides in-home assistance to low-income aged, blind, and disabled individuals enabling them to remain safely in their own homes and avoid institutionalization. The IHSS program is state mandated. This fund is included in the special revenue funds.

The San Diego County Tobacco Asset Securitization Corporation ("Corporation")– This is a separate legal nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law. It was established to purchase Tobacco Settlement Payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories (see Note 5I for additional information regarding the sale by the County to the Corporation of all right, title and interest of the County to such monies). The Corporation is governed by the Board of Directors consisting of three members, two of which are employees of the County of San Diego and one independent director who is not an employee of the County.

Separate financial statements for the individual component units described above may be obtained by Contacting the County Chief Financial Officer/Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

(C) Discretely Presented Component Units

The Tobacco Securitization Joint Powers Authority of Southern California (TSJPA)– This is a separate legal public entity created by a Joint Exercise of Powers Agreement by and between the County of San Diego and the County of Sacramento pursuant to the Government Code of the State of California. The authority's purpose is to finance a loan via the sale of bonds to the San Diego County Tobacco Asset Securitization Corporation which in turn uses the loan proceeds to purchase the County's future tobacco settlement revenues under the Purchase and Sale Agreement. The Authority is administered by the Board of Directors consisting of three members, two members which are appointed by the County of San Diego Board of Supervisors and the third member is appointed by the Sacramento County Board of Supervisors. The TSJPA provides services to the bondholders.

San Diego County Children and Families Commission (SDCCFC) – This fund was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. In the previous fiscal year (2000-2001), the Commission was reported as a blended component unit and was included as a special revenue fund. However, for the year ended June 30, 2002, the County reevaluated the presentation basis of the Commission and determined that it meets the criteria for a discretely presented component unit in accordance with GASB Statement No. 14. The following criterion was met by the Commission: a) it is a separate legal entity, b) the County appoints a voting majority of the Commission's board, c) the County is able to impose its will on the Commission, due to its ability to change the appointees, d) the two boards (county and commission) are not substantively the same and e) The Commission does not provide services entirely or almost entirely to the County but to the citizens instead.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Separate financial statements for the Discretely presented Component units listed above can be obtained by contacting the Chief Financial Officer/Auditor and Controller's Office, County of San Diego, located at 1600 Pacific Highway, Room 166, San Diego, California 92101.

(D) Government-Wide and Fund Financial Statements

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB Statement No. 34). It requires major changes in governmental financial reporting, including changes in the basic financial statements. GASB Statement No. 34 requires the presentation of government-wide financial statements and fund financial statements.

Under the new reporting model, GASB Statement No. 34 mandates the presentation of two basic government-wide financial statements: Statement of Net Assets and Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. Whenever possible, the effect of interfund activity has been removed from these statements. The County adopted the provisions of GASB Statement No. 34 as of July 1, 2001. The impact of this implementation is further described in Note 5H.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds and nonmajor proprietary funds aggregated into two single columns.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, capital outlay, and debt service.

The Tobacco Securitization Special Revenue Fund accounts for Tobacco Settlement payments allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. (See Note 5I for additional information regarding the sale by the County to the Corporation of all right, title and interest of the County to such monies)

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

The Tobacco Securitization Debt Service Fund accounts for the accumulation of resources for the payment of principal and interest on the long term debt owed by the Corporation to TSJPA.

The County reports the following major proprietary (enterprise) funds:

The Airport Fund is used to account for the maintenance, operations and development of County airports. A major objective of the airport program is to purchase and develop airport property in order to create tax revenues and create jobs in the private sector.

The Liquid Waste Fund accounts for operational services and support provided to sanitation districts governed by the County Board of Supervisors.

The Transit Fund accounts for the operations, maintenance and development of a rural transit system and transit related projects.

The Sanitation District Funds are used to account for the activities of all individual sanitation districts governed by the County Board of Supervisors.

Additionally, the County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one County department to other County departments on a cost reimbursement basis.

The Pension Trust Fund is under the control of the Board of Retirement. The fund accumulates employer and employee contributions and earnings from the fund's investments. Disbursements are made from the fund for retirements, disability and death benefits and refunds. This fund includes all assets of the retirement system.

The Investment Trust Fund accounts for the external portion of the County Treasurer's investment pool. This fund consists of school districts, special districts and funds held for other governments.

The Agency Funds maintain assets held in an agent capacity for other governments, organizations and individuals. These assets do not support the County's programs or services. Any portion of agency fund assets held at fiscal year end for other County funds, are reported in those funds rather than in the agency funds.

(E) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities have been eliminated from the government-wide Statement of Activities.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., total net assets) is segregated into restricted and unrestricted. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Financial Accounting Standards Board Statements issued after November 30, 1989, are not applied in reporting proprietary fund operations.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

For proprietary funds, operating activities generally relate to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. Operating revenues would include charges for providing goods and services; operating expenditures would include salaries and benefits, utilities, payments to vendors and suppliers. In addition, nonoperating activities are used for any revenues or expenditures that cannot be properly classified as components of operating income. Examples of nonoperating activities would include interest revenue, gain/loss on disposal of assets and capital expenditures.

Governmental fund types are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers this to be one year for all items except property taxes, for which the County considers the period of availability to be sixty days. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues that are accrued include property taxes, sales tax, interest, and state and federal grants and subventions. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due; (2) prepaid expenses which are reported as current period expenditures, rather than allocated; and (3) accumulated unpaid vacation, sick leave, and other employee benefits which are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund, the investment trust fund and agency funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary
Fund types.

(F) Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property, which is situated in the County as of the preceding January 1 lien date. However, upon a change in ownership of property or completion of new construction, State law requires an accelerated recognition and taxation of changes in real property assessed valuation. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing locally assessed and State assessed property secured by a lien, which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, a ten dollar cost, a fifteen dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one-half percent per month starting July 1 and continuing until the end of redemption collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to tax sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(G) Assets, liabilities, and net assets or equity

Cash and Investments

Investments in County funds are stated at fair value. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-

term investments in the Pension Trust Fund are reported at cost, which approximates fair value. The fair value of Pension Trust Fund real estate investments is based on independent appraisals. Investments of the Pension Trust Fund that do not have an established market are reported at estimated fair value.

For purposes of reporting cash flows, all amounts reported as "Equity in Pooled Cash and Investments," "Collections in Transit," and "Imprest Cash" are considered cash equivalents. Pooled cash and investment carrying amounts represent monies deposited in the County Treasurer's cash management pool and are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty). Allocations of assets and liabilities to individual funds related to reverse repurchase agreements are not considered cash equivalents for purposes of cash flow reporting. For "Cash with Fiscal Agent" information see Note 4A.

Inventories

Inventories, which consist of expendable supplies, are stated at average cost. They are accounted for as expenditures at the time of purchase and reported in the balance sheet of the General Fund and the Special Revenue Funds as an asset with an offsetting reserve. Inventory held by the Road Fund, a special revenue fund, and the proprietary fund types is carried at average cost and is expended when consumed.

Capital Assets

Capital assets are recorded as expenditures in the fund financial statements for the governmental fund types at time of purchase. These assets are capitalized at cost in the Statement of Net Assets. In the case of acquisitions through gifts or contributions, such assets are recorded at fair market value at the time received. Capitalization thresholds are as follows:

Structures and Improvements	$50
Infrastructure (permanent road divisions, county service areas, sanitation and special districts)	25
Infrastructure (all others)	50
Equipment (governmental activities)	5

Depreciation is charged over the capital assets' estimated useful lives using the straight-line method for proprietary and governmental fund types. Where applicable, the hours/miles-of-service method is used for proprietary fund type equipment. Governmental fund type depreciation is only shown in the Statement of Activities. Proprietary fund type depreciation is shown both in the fund statements, and the Statement of Activities. The estimated useful lives are as follows:

Structures and Improvements	50 years
Infrastructure	10-50 years
Equipment (governmental fund type)	5-20 years

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Long-Term Liabilities

Long-term liabilities expected to be financed with resources from governmental and proprietary fund types are accounted for in the Statement of Net Assets. Long-term liabilities of all proprietary fund types are also accounted for in the respective funds.

Amounts recorded as accumulated leave benefits include an amount representing salary-related payments such as the employer's share of social security and Medicare taxes associated with payments made for such compensated absences. Accumulated leave benefits including vacation, sick leave, and compensatory time worked in the amount of approximately $70.4 million for the governmental fund types as of June 30, 2002, is recorded in the Statement of Net Assets. These amounts would not be expected to be liquidated from expendable available financial resources but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

Reservation of Fund Balances

In the fund statements, reserves represent those portions of fund balance not available for appropriation or legally segregated for a specific future use.

Data reclassifications/restatements

Certain amounts presented in the prior year data have been reclassified to conform with the current year financial statement presentations. See footnote 4C for additional details. See footnote 5H for amounts restated to conform with the current year financial statement presentations.

(2) Stewardship, Compliance and Accountability

(A) Fund Deficits

The following funds have an accumulated deficit at June 30, 2002 (In Thousands):

Capital Projects Funds:		
San Diego County Redevelopment Agency (SDCRA)	$	7,125
Internal Service Funds:		
Risk financing	$	33,770

The deficit within the SDCRA fund is due to the use of loan proceeds in advance of the receipt of benefit fees or incremental tax revenues. This deficit will be reduced in future years upon the receipt of the incremental tax revenues. The deficit in the Risk Financing fund is due to the prior years' recognition of liabilities based on actuarial studies. The County intends to reduce the deficit by increasing the reserves by $4 Million every year until it is eliminated.

(3) Reconciliation of Government-Wide and Fund Financial Statements

(A) Explanation of certain differences between the governmental fund balance sheet and the Government -wide statements of net assets

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Total fund balance of the County's governmental funds, $1,322,039 differs from net assets of governmental activities, $2,599,290 reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

Balance Sheet/Statement of Net Assets
(in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Service Funds (2)	Reclassifications and Eliminations	Statement of net assets totals
ASSETS					
Cash and cash equivalents	$ 594,320		148,445		742,765
Cash with fiscal agent	440,038		46,618		486,656
Investments	71,453				71,453
Taxes receivable	127	2,943			3,070
Internal balances				(7)	(7)
Accounts and notes receivable	281,267		3,724	50,214	335,205
Due from other funds	228,748		25,617	(254,365)	
Advances to other funds	1,239		259	(1,498)	
Inventory of materials and supplies	10,540		1,919		12,459
Deferred charges and other assets	200	3,991	13		4,204
Capital assets		2,529,805	88,474		2,618,279
Total Assets	1,627,932	2,536,739	315,069	(205,656)	4,274,084
LIABILITIES					
Accounts payable	57,808		57,981	(22)	115,767
Accrued payroll	35,478		971		36,449
Accrued interest		14,744	1		14,745
Due to other funds	144,115		60,021	(204,136)	
Advances from other funds	10,974			(1,498)	9,476
Deferred credits and other liabilities	57,518	(7,227)			50,291
Long-term liabilities		1,344,736	103,330		1,448,066
Total liabilities	305,893	1,352,253	222,304	(205,656)	1,674,794
FUND BALANCE/NET ASSETS					
Total fund balances/net assets	1,322,039	1,184,486	92,765		2,599,290
Total liabilities and fund balances/net assets	$ 1,627,932	2,536,739	315,069	(205,656)	4,274,084

(1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	$ 3,331,902
Accumulated depreciation	(802,097)
Net capital assets	$ 2,529,805

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Adjustment of deferred revenue	$	15,557

Bond discounts are expended in governmental funds in the year of sale and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

Net bond discount	$	3,991

Liabilities for long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Pension obligation liability	$	(7,686)

Governmental funds accrue property tax revenue which is deemed collectible within sixty days. However, in the statement of activities the total amount should be accrued.

Property tax revenue	$	2,943

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Total interest	$	(14,744)

Bond premiums are recognized as revenue in governmental funds in the year of sale and are recorded as a liability and amortized over the life of the corresponding bonds.

Total bond premiums	$	(644)

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, current and long-term, are reported in the statement of net assets. Also, during the year the County refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. Balances at June 30, 2002 were:

Bonds and notes payable	$	(725,622)
Capital lease		(43,050)
Arbitrage		(836)
Compensated absences		(70,360)
Landfill closure		(101,000)
Tobacco securitization corp debt service		(403,868)
Total long term debt		$(1,344,736)

(2) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Costs	$	92,765

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds $310,432 differs from the change in net assets for governmental activities, $(4,394) reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities (in thousands)

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES (3)	CAPITAL-RELATED ITEMS (4)	INTERNAL SERVICE FUNDS (5)	LONG-TERM DEBT TRANSAC-TIONS (6)	STATEMENT OF ACTIVITIES TOTALS
Revenues:						
Taxes	$ 409,969	2,943				412,912
Licenses, Permits and Franchises	37,808					37,808
Fines, Forfeitures and Penalties	39,691					39,691
Revenue from Use of Money and Property	45,567			2,602		48,169
Aid from Other Governmental Agencies:						
State	1,139,344					1,139,344
Federal	574,002					574,002
Other	57,777					57,777
Charges for Current Services	251,018	(357)		12,387		263,048
Other Revenue	70,203	(2,992)				67,211
Total Revenues	2,625,379	(406)		14,989		2,639,962
Expenditures:						
Current:						
General	156,517		1,872	11,758	761	170,908
Public Protection	809,185		16,591	1,993	(4,249)	823,520
Public Ways and Facilities	95,936		70,093	2,683	(510)	168,202
Health and Sanitation	548,627		1,396	28	(2,851)	547,200
Public Assistance	827,229		1,990	95	(4,285)	825,028
Education	24,005		283	(42)	(127)	24,119
Recreational and Cultural	16,514		1,415	203	(112)	18,021
Capital Outlay	72,341		(72,341)			
Debt Service:						
Principal	101,538				(101,538)	
Interest	67,773			233	765	68,771
Total Expenditures	2,719,665		21,299	16,951	(112,146)	2,645,769
Other Financing Sources (Uses):						
Sale of capital Assets	2,230		(1,176)			1,054
Proceeds of long term debt	411,913	(411,913)				
Transfers	(8,490)			8,849		359
Refunding Bonds Issued	65,319				(65,319)	
Payment to Refunded Bond Escrow Agent	(66,254)				66,254	
Total Other Financing Sources (uses)	404,718	(411,913)	(1,176)	8,849	935	1,413
Net change for the year	$ 310,432	(412,319)	(22,475)	6,887	113,081	(4,394)

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities:

(3) Long-term revenues are not available as current resources, and therefore are not reported as revenue in the governmental funds.

Adjustment of deferred revenue	$	(2,992)

Governmental funds accrue property tax revenue, which is deemed collectible within sixty days. However, in the statement of activities the total amount should be accrued.

Property Taxes	$	2,943

Liabilities for long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Pension obligation liability	$	7,862

(4) The proceeds from the sale of land and structures are reported as revenue (as a special item) in the governmental funds. However, the cost of the land and structure sold is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "gain on sale of capital assets" in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.

Cost of capital assets sold	$	(1,176)

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Loss on Disposal of assets	$	27,295
Capital outlay		83,505
Depreciation expense		(77,509)
Difference	$	(21,299)

(5) Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service fund's costs for the year.

Adjustments	$	6,887

(6) Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Bond proceeds were received from:

Tobacco Securitization Proceeds	$	(411,913)
Refunding capital lease		(65,319)
Total Bond Proceeds	$	(477,232)

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term debt was reduced by the amount of principal payments made to bond holders.

Principal payments made	$	101,538

Repayment of long term obligations are reported as an expenditure in government funds and thus reduces fund balance because current financial resources have been used. For the County as a whole, however the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's long term obligations include capital leases, claims and judgments, accumulated unpaid employee leave balances, loans and arbitrage rebate.

Repayment of loan		66,254
Other miscellaneous debt		5,067
	$	71,321

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for bonds and notes payable and amortization of bond discounts, and premiums which are expended within the fund statements.

Accrued interest	$	(554)
Amortization of bond discounts		(211)
Total additional interest	$	(765)

Adjustment for reserve for inventory of materials and supplies

Adjustment	$	(357)

(4) Detailed Notes on all Funds

(A) Equity in Pooled Cash and Investments, cash, investments, and obligations under reverse repurchase agreements

The County maintains a cash and investment pool that is available for use by the County as well as other agencies for which the County Treasury is the depository. The San Diego County Treasurer issues a separate annual financial report on the County Investment Pool. This report may be obtained by writing to the San Diego County Treasurer, Room 152, County Administration Center, 1600 Pacific Highway, San Diego, California, 92101 or by calling (619) 531-4743. Copies are also available on the internet at www.sdtreastax.com.

Each fund type's portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments." Interest earned on the pooled deposits is accrued in a pooled interest apportionment agency fund and is allocated based on the average daily cash balances of the participating funds. State law requires that interest income related to certain funds be considered income of the general fund of the County. Such interest has been recorded as revenue in the general fund.

"Cash with Fiscal Agent" represents amounts on deposit with trustees for the Air Pollution District, SANCAL, Pension Trust Fund (SDCERA), Pension Obligation Bonds, Redevelopment Agency, Teeter Commercial Paper Notes, and for repayment of the General Fund Tax and Revenue Anticipation Notes.

"Investments," represents the Inactive Wastesite Management Fund investments, the Pension Trust Fund (SDCERA) investments and stocks and bonds held for other agencies.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Deposits: At year-end the carrying amount of the County's deposits was $701,050 and the balance per various financial institutions was $701,030. Of the balance in financial institutions, $790 was covered by federal deposit insurance and $700,240 was collateralized according to State statutes which require depositories having public funds on deposit to maintain a pool of securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit. Of this amount, $95,987 was held by the County or its agent in the County's name and $604,253 was held by the depository's trust department or agent in the County's name.

Deposit and investment reconciliation as reported in the basic financial statement are summarized as follows:

Investments: State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase and reverse repurchase agreements, medium-term notes, and negotiable certificates of deposit issued by national and state licensed or chartered banks or federal or state savings and loan associations. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize "Prudent Expert" guidelines as to the form and types of investments which may be purchased. The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year end (in thousands). Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by counter party's trust department or agent in the County's name. There were no investments with a risk Category 2 at June 30, 2002. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the County's name.

(In Thousands)	Category 1	3	Fair Value
Investments – Categorized			
Bankers Acceptances	$	17,495	17,495
Repurchase Agreements	450,000	13,553	463,553
Commercial Paper	1,080,636	1,990	1,082,626
U.S. Government Securities	1,176,329		1,176,329
Negotiable certificates of deposit	540,965		540,965
Corporate bonds	480,662		480,662
Common and preferred stock	2,000,733		2,000,733
Mutual Funds		22,748	22,748
U.S. Corporate Obligations		194,962	194,962
Investments held by the County for other agencies:			
U.S. Government Securities	108		108
Corporate bonds	6		6
Common Stock	2		2
Subtotal	$ 5,729,441	250,748	5,980,189
Investments – Not Categorized			
Investments held by broker dealers under Securities loans:			
U.S. Government securities			5,269
Corporate bonds			91,447
Common and preferred stock			163,579
Mutual Funds			260,000
Real Estate Equity			412,643
Total Investments			$ 6,913,127

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

A total of $3,193,962 of investments are reported in the equity in pooled cash and investments fund financial statements.

Fair values and estimates of fair values are provided monthly by an independent pricing agency and such values are not supported by any guarantees on the part of the pool sponsor or the pricing agency. The County and certain school districts are mandated by state statues to participate in the County Treasurer's investment pool and represent 97.6 percent of the total pooled cash and investments on hand at June 30, 2002.

Reverse Repurchase Agreements: State statutes permit the County to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The County had no reverse repurchase agreements outstanding at June 30, 2002.

Securities Lending Transactions: Under the provisions of State statutes, the County Treasurer lends U.S. government obligations and SDCERA lends U.S. government obligations, domestic and international bonds and equities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The County's custodial bank manages the securities lending programs for the County Treasurer and receives cash and securities as collateral pledged at 102 percent of the market value of securities lent. Fiscal agents for SDCERA manage the securities lending programs and receive cash securities pledged at 102 percent of fair value for domestic securities lent and 105 percent of the fair value of international securities lent. Additional collateral

has to be provided the next business day if its value falls to 100 percent or less of the market value of the securities lent. The collateral securities cannot be pledged or sold by the County Treasurer or SDCERA unless the borrower defaults. No more than 20 percent of the Treasurer's pooled investment portfolio may be lent at one time. There is no restriction on the amount of SDCERA securities that may be lent at one time. Securities on loan at year-end are presented as unclassified in the preceding schedule of custodial credit risk and represent transactions of the SDCERA pension trust fund. At year-end, the pension trust fund has no credit risk exposure to borrowers because the amounts SDCERA owes the borrowers exceeds the amounts the borrowers owe SDCERA. The term to maturity of securities loans is generally matched with the term to maturity of the cash collateral. Such matching existed at fiscal year end.

(B) Restricted Assets-Investments

Certain investments have been restricted by operation of law to fund post closure landfill costs over a 30-year period. These investments are recorded in the Inactive Wastesite Special Revenue Fund.

(C) Capital Assets

Primary Government
Capital asset activity for the year ended June 30, 2002 was as follows (in thousands):

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Governmental Activities:

	Beginning	Increases	Decreases	Ending
Capital assets, not being depreciated:				
Land	$ 221,578	71,477	(42,433)	250,622
Construction in progress	203,632	50,659	(11,146)	243,145
Total capital assets, not being depreciated	425,210	122,136	(53,579)	493,767
Capital assets, being depreciated:				
Buildings and improvements	806,225	11,514	(15,667)	802,072
Equipment	152,199	43,709	(39,893)	156,015
Road network	1,973,038	1,526		1,974,564
Bridge network	36,487			36,487
Total capital assets, being depreciated	2,967,949	56,749	(55,560)	2,969,138
Less accumulated depreciation for:				
Buildings and improvements	(228,727)	(15,355)	419	(243,663)
Equipment	(70,260)	(12,339)	5,767	(76,832)
Road network	(456,733)	(57,200)		(513,933)
Bridge network	(9,509)	(689)		(10,198)
Total accumulated depreciation	(765,229)	(85,583)	6,186	(844,626)
Total capital assets, being depreciated, net	2,202,720	(28,834)	(49,374)	2,124,512
Governmental activities capital assets, net	$2,627,930	93,302	(102,953)	2,618,279

GASB 34 requires the capitalization of infrastructure for governmental type funds. The beginning balances for "Road network" and "Bridge network" and their associated accumulated depreciation were restated to better reflect the actual increases and decreases during fiscal year 2001/02.

Depreciation expense was charged to functions of the primary government as follows:

General government	$ 1,549
Public Protection	13,687
Public Ways and Facilities	57,941
Health and Sanitation	1,235
Public Assistance	1,667
Education	122
Recreational and Cultural	1,308
Internal Service Funds	8,074
Total Depreciation Expense – Governmental Activities	$ 85,583

Public protection and Public ways and facilities amounts include $348 and $57,541 of depreciation from infrastructure for 2001/02 respectively.

Business Type Activities:
Airport Enterprise Fund

	Beginning	Increases	Decreases	Ending
Capital assets, not being depreciated:				
Land and Improvements	$ 6,401			6,401
Construction in progress	3,790	4,490	(1,546)	6,734
Total capital assets, not being depreciated	10,191	4,490	(1,546)	13,135
Capital assets, being depreciated:				
Building and equipment	26,515	2,200		28,715
Total capital assets, being depreciated	26,515	2,200		28,715
Less accumulated depreciation for:				
Buildings & Equipment	(15,745)	(2,118)	438	(17,425)
Total accumulated depreciation	(15,745)	(2,118)	438	(17,425)
Total capital assets, being depreciated, net	10,770	82	438	11,290
Airport Enterprise Fund capital assets, net	$ 20,961	4,572	(1,108)	24,425

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Liquid Waste Enterprise Fund

	Beginning	Increases	Decreases	Ending
Capital assets, not being depreciated:				
Land and Improvements	$	20		20
Total capital assets, not being depreciated		20		20
Capital assets, being depreciated:				
Building and equipment	184	714		898
Total capital assets, being depreciated	184	714		898
Less accumulated depreciation for:				
Buildings & Equipment	(111)	(319)		(430)
Total accumulated depreciation	(111)	(319)		(430)
Total capital assets, being depreciated, net	73	395		468
Liquid Waste Enterprise capital assets, net	$ 73	415		488

Transit Enterprise Fund

	Beginning	Increases	Decreases	Ending
Capital assets, being depreciated:				
Building and equipment	$ 10,503	1,284	(11,787)	
Total capital assets, being depreciated	10,503	1,284	(11,787)	
Less accumulated depreciation for:				
Buildings & Equipment	(6,191)	(1,059)	7,250	
Total accumulated depreciation	(6,191)	(1,059)	7,250	
Total capital assets, being depreciated, net	4,312	225	(4,537)	
Transit Enterprise Fund capital assets, net	4,312	225	(4,537)	

Sanitation Districts

	Beginning	Increases	Decreases	Ending
Capital assets, not being depreciated:				
Land and Improvements	$ 1,090		(21)	1,069
Construction in progress	138	602	(297)	443
Total capital assets, not being depreciated	1,228	602	(318)	1,512
Capital assets, being depreciated:				
Building and equipment	2,892	595	(1,306)	2,181
Infrastructure	62,181	57		62,238
Total capital assets, being depreciated	65,073	652	(1,306)	64,419
Less accumulated depreciation for:				
Buildings & Equipment	(2,064)	(105)	355	(1,814)
Infrastructure	(21,471)	(1,188)		(22,659)
Total accumulated depreciation	(23,535)	(1,293)	355	(24,473)
Total capital assets, being depreciated, net	41,538	(641)	(951)	39,946
Sanitation Districts capital assets, net	$ 42,766	(39)	(1,269)	41,458

The infrastructure of $62.2 million consists of sewer lines for the Sanitation Districts which were reported in previous years as buildings and equipment. The beginning balances for "Building and equipment" and "Infrastructure" and their associated accumulated depreciation were reclassified to better reflect the actual increases and decreases during fiscal year 2001/02. Capital assets of the Transit Enterprise Fund (equipment of $11.8 million and accumulated depreciation of $7.3 million) were transferred to the Metropolitan Transit Development Board (MTDB). This transfer is presented as a decrease in building and equipment capital assets and accumulated depreciation in the above schedule.

(D) Lease Commitments

The County has commitments under long-term property operating lease agreements for facilities used for operations. These leases do not meet the criteria for capitalization under FASB Statement 13. The

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

County is the lessee under the terms of several non-cancelable operating leases for real property used to house certain County facilities. The combined rental cost for which the County is obligated under these leases is as follows (in thousands):

Fiscal Year	Minimum Payments
2002/03	$ 9,419
2003/04	8,656
2004/05	7,246
2005/06	6,780
2006/07	5,646
2007/12	17,177
2012/14	7,503
Total	$ 62,427

Total rental expense for all real property operating leases for the year ended June 30, 2002, was approximately $22.8 million.

In addition to real property leases, the County has also entered into long-term operating leases for personal property, a large portion of which represents data processing and duplicating equipment. Many of these leases are subject to annual adjustment based upon negotiations. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Total rental expense for these operating leases for the year ended June 30, 2002, was approximately $13.8 million.

Certain buildings and equipment are being leased under capital leases as defined in FASB Statement 13. The present value of the minimum lease obligation has been capitalized in the Statement of Net Assets and is reflected as a liability in that statement. The County assumes responsibility for all maintenance, repair, and structural modifications under the terms of the lease agreements.

Capital Lease Property Class	June 30, 2002 (In Thousands)
Structures and Improvements	$ 42,480
Equipment	4,124
Total	$ 46,604

Future minimum lease payments under capital leases consisted of the following at June 30, 2002 (in thousands):

Fiscal Year	Minimum Lease Payment
2002/03	$ 7,762
2003/04	5,368
2004/05	4,464
2005/06	4,348
2006/07	3,785
2007/12	15,722
2012/17	15,280
2017/20	9,191
Total Minimum Lease Payments	65,920
Less: Amount Representing Interest	(19,316)
Net Lease Payments	$ 46,604

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(E) General Long-Term Debt

General Long-Term Debt outstanding at June 30, 2002, consists of certificates of participation, capital lease obligations (See Note 3E), pension obligation bonds, contracts/loans payable, revenue bonds, arbitrage rebate, accumulated unpaid employee leave benefits (See Note 1F) and landfill closure costs as follows (in thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
San Diego County Capital Asset Leasing Corporation (SANCAL):				
1993 Certificates of Participation issued March, 1993	3.00-5.75%	2013	$ 7,640	$ 5,415
1993 Certificates of Participation issued March, 1993	3.25-5.10%	2007	26,085	12,295
1993 Certificates of Participation issued May, 1993	2.50-5.625%	2012	203,400	112,945
1996 Certificates of Participation issued May, 1996	4.30-5.50%	2018	52,230	41,630
1996 Certificates of Participation issued December, 1996	4.00-6.00%	2019	37,690	34,375
1997 Certificates of Participation issued June, 1997	4.00-4.80%	2004	28,035	8,385
1997 Certificates of Participation issued July, 1997	4.00-5.00%	2025	80,675	73,745
1998 Certificates of Participation issued January, 1999	4.00-4.94%	2022	73,115	63,115
1999 Certificates of Participation issued September, 1999	3.60-4.75%	2009	15,010	12,475
2000 Certificates of Participation issued May, 2000	4.50-5.125%	2010	51,620	43,350
2002 Certificates of Participation issued March, 2002	2.00-3.30%	2011	26,060	26,060
Total Certificates of Participation			$ 601,560	$ 433,790

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding
Capitalized Leases:				
San Diego Regional Building Authority Lease beginning September 2001	2.15-5.25%	2019	$ 36,960	$ 36,960
Others:				
Various beginning dates from August, 1997 to the present	4.24-8.00%	2002-2008	28,653	9,644
Total Capitalized Leases			65,613	46,604
Other Long-Term Obligations:				
Calif. Integrated Waste Mgmt Board Loans beginning December, 1995	5.83-5.87%	2016	1,260	980
Dept. of Transportation Loans Beginning March, 2001	5.63%	2017	3,584	3,297
Taxable Pension Obligation Bonds Series A	4.7-6.60%	2007	430,430	282,900
Revenue Bonds Redevelopment Agency Series 1995	4.75-6.75%	2020	5,100	4,655
San Diego County Tobacco Asset Securitization Corporation			411,913	403,868
Total Other Long-Term Obligations			852,287	695,700
Arbitrage Rebate				836
Accumulated Unpaid Employee Leave Benefits				72,342
Claims and Judgments				97,794
Landfill Closure				101,000
Total Long-Term Debt				$ 1,448,066

The certificates of participation (COP) of the SANCAL non-profit corporation listed above are secured by annual base rental lease payments payable primarily by the County General Fund for use of the facilities constructed or equipment purchased from debt proceeds. There are also encumbrances on the facilities constructed with the proceeds of the SANCAL COP and the San Diego Regional Building Authority Bonds. The capital leases between the County and SANCAL have been eliminated for financial reporting purposes and the related assets and debt (e.g. certificates of participation of SANCAL) are reported as San Diego County's assets and debt, respectively.

Also, the County, in compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, has performed arbitrage rebate calculations to determine probable amounts due to the Federal government. An estimate of probable arbitrage rebate in the amount of $836 has been included in the Statement of Net Assets.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Long-term liability activity for the year ended June 30, 2002 was as follows (in thousands):

Governmental Activities

Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Certificates of Participation	$466,450	26,060	(58,720)	433,790	38,505
Redevelopment Agency Bonds	4,770		(115)	4,655	125
San Diego County Tobacco Asset Securitization Corporation		411,913	(8,045)	403,868	
Taxable pension Obligation Bonds	317,345		(34,445)	282,900	39,420
Capital Loans	4,490		(213)	4,277	213
Total Bonds and Notes Payable	793,055	437,973	(101,538)	1,129,490	78,263
Other Liabilities:					
Capitalized leases	83,012	37,069	(73,476)	46,604	5,744
Arbitrage Rebate	64	791	(19)	836	135
Claims and Judgments	84,210	13,584		97,794	32,760
Compensated Absences	70,759	1,631	(49)	72,342	7,234
Landfill Closure	101,000			101,000	
Total Other Liabilities	339,045	53,075	(73,544)	318,576	45,873
Total	$1,132,100	491,048	(175,082)	1,448,066	124,136

Business-Type Activities:

Sanitation Districts

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
Sanitation Debt	$225		(25)	200	5
Total Sanitation Districts Long-Term Liabilities	$225		(25)	200	5

The Bonds and Notes Payable ending balance of $200 consists of $5 and $195 for the Julian Sanitation and Spring Valley Sanitation, respectively.

Airport Fund

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	$110		(8)	102	
Total Airport Fund Long-Term Liabilities	$110		(8)	102	

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Liquid Waste Fund

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	$168	7		175	
Total Liquid Waste Fund Long-Term Liabilities	$168	7		175	

The loan payable by the San Diego County Tobacco Asset Securitization Corporation to the Tobacco Securitization Authority of Southern California is due and payable, along with accrued interest, on December and June, as payments from the State of California are received by the County for the County's share of the Tobacco Settlement Payments (See Note 5I). Although this loan payable is not an obligation of the County, Governmental Accounting Standards Board Statement No. 14 (GASB 14) requires the County to record the transactions of the Corporation, including the loan payable on the County's financial statements, as the Corporation meets the criterion to be treated as a blended component unit.

The following is a schedule of debt service requirements to maturity, for Long-Term Debt outstanding at June 30, 2002 (in thousands) excluding capital leases. Accumulated unpaid employee leave benefits and Landfill Closure are excluded since they are not estimable due to the timing of payments.

Fiscal Years Ending June 30	Principal	Interest	Total
2003	$78,263,360	38,306,071	116,569,431
2004	83,720,017	33,925,349	117,645,366
2005	87,997,419	29,006,169	117,003,588
2006	96,439,820	23,673,445	120,113,265
2007	102,832,221	17,832,992	120,665,213
2008-2012	154,292,128	47,701,605	201,993,733
2013-2017	57,697,315	23,114,240	80,811,555
2018-2022	43,615,000	10,218,338	53,833,338
2023-2027	20,765,000	2,008,975	22,773,975
Total	$725,622,280	225,787,184	951,409,464

Prior Year Defeasance of Debt

In prior years, the County defeased certain lease revenue bonds/certificates of participation (COPs) by placing the proceeds of the original issue plus additional County contributions in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the County's financial statements. At June 30, 2002, $64.2 million of bonds/COPs outstanding are considered defeased.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Advance Refunding of Long-Term Debt
San Diego Regional Building Authority (SDRBA)

On September 27, 2001, the SDRBA (Authority) issued approximately $37 million of fixed rate certificates of participation (COP), to defease the 1991 Metropolitan Transit System Tower (MTS) refunding COP. The Authority has entered into a lease with the County of San Diego for the occupancy and use of the property. The County makes base rental payments to the Authority as per the Base rental schedule (debt service schedule). The County has entered into a sublease with the Metropolitan Transit Development Board (MTDB) to lease the 9th, 10th, and certain portions of the first floor. Therefore, MTDB pays to the County 27.61% of the principal and interest payment due on the COP. The Authority issued the COP's to take advantage of the low interest rate market thereby reducing total debt service requirements by $8.4 million, resulting in an economic gain of approximately $5 million.

San Diego County Capital Asset Leasing Corporation (SANCAL)

On February 27, 2002 SANCAL issued $26.1 million of fixed rate Certificates of Participation (COP) for the prepayment in full of the Motorola equipment lease to achieve cost savings as a result of the low interest rate market. This fixed rate debt has a minimum rate of 2% and a maximum rate of 5%. The net proceeds were used to current refund a 1996 third party lease of $39.8 million for equipment as part of a regional public safety/public services wireless radio communication system. The COP issued by the Corporation were secured by a long-term capital lease between the County and the Corporation. The net proceeds of $25.4 million (less underwriting fees and issuance costs of $601) and a County contribution of $2.4 million were used to defease the third party debt. The liability for

the COP issued by SANCAL and long-term capital lease between the County and the Corporation are reported on the Statement of Net Assets. Annual budgetary savings of approximately $425,000 over the next nine years was achieved with an economic gain (difference between the present value on the old and new debt) of an estimated amount of $1.3 million.

Inactive Landfill Closure Costs

The County maintains 17 waste disposal sites that were closed prior to 1985. Consistent with State and Federal regulations pertaining to closed landfills, post-closure costs for these landfills, including facilities maintenance and groundwater monitoring over a 30-year period, are estimated at $101 million in current year costs. This amount has been recorded in the Statement of Net Assets. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The County has funded this liability from cash reserves realized in prior years.

(F) Business Type Long-Term Debt
Business type long-term debt consists of loans payable, contracts payable, and unpaid accumulated employee leave benefits. A schedule of business type long-term debt is as follows (in thousands):

Obligation	Interest Rate	Final Maturity Date	Original Amount	Amount Outstanding 6/30/2001
Julian Sanitation Loan	5.3%	2003	61	5
Contract Payable Spring Valley				195
Unpaid Accumulated Employee Leave Benefits				277
Total Business Type Long-Term Debt				$477

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

The following is a schedule of debt service requirements to maturity, including interest, for proprietary fund types loans outstanding at June 30, 2002. Accumulated unpaid employee leave benefits are excluded because they are not estimable due to timing of payments. Long-term claims payable are also excluded since they are based on estimates, which are uncertain as to the probable date of payment (in thousands):

Year Ending June 30	Loans
2003	5

(G) Special Assessment Debt

The County Treasurer/Tax Collector acts as an agent for property owners and bondholders in collecting and forwarding special assessment monies. The County is not obligated for repayment of any special assessment bonds and all special assessment debt is solely the obligation of various separate governmental agencies. The amount of special assessment debt outstanding for which the County is a fiduciary is $17.6 million at June 30, 2002.

(H) Component Unit Information

Following is a summary of all component units' financial position and results of operations as of and for the year ended June 30, 2002 (in thousands):

Condensed Statement of Net Assets

	Children & Families Commission	Tobacco Authority	Total Component Units
Assets:			
Equity in pooled cash and investments	$ 133,176		133,176
Cash with fiscal agents		51,889	51,889
Accounts receivable	7,687		7,687
Internal balances	233		233
Long-term receivables		403,868	403,868
Deferred charges		16,387	16,387
Total Assets	141,096	472,144	613,240
Liabilities			
Accounts payable	889		889
Accrued interest		2,113	2,113
Long-term liabilities:			
Due within one year		3,385	3,385
Due in more than one year		455,410	455,410
Total Liabilities	889	460,908	461,797
Net Assets:			
Restricted			
Unrestricted	140,207	11,236	151,443
Total Net Assets	$ 140,207	11,236	151,443

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Condensed Statement of Activities

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Children and Families Commission	Tobacco Joint Authority	**Total**
Children and Families Commission						
Health & Sanitation	$ 18,974	123	1,668	(17,183)		(17,183)
Tobacco Authority						
General	366		5,408		5,042	5,042
Debt Service	12,842				(12,842)	(12,842)
Total Tobacco Authority	13,208		5,408		(7,800)	(7,800)
Tobacco Corporation						
Debt Service	18,160		18,160			
Total Component Units	49,523					(24,983)
	General Revenues					
	Taxes			40,940		40,940
	Interest			4,636	19,036	23,672
	Total general revenues and transfers			45,576	19,036	64,612
	Change in net assets			28,393	11,236	39,629
	Net assets - beginning			111,814		111,814
	Net assets - ending			$ 140,207	11,236	151,443

(I) Interfund Receivables, Payables and Transfers

Transfers In/Transfers Out at June 30:

From	To	Amount
General	Nonmajor Governmental Funds	$ 147,397
	Enterprise Funds	198
	Internal Service Funds	12,230
Tobacco Securitization	General Fund	27,261
Tobacco Securitization Corporation	Tobacco Securitization	411,913
Nonmajor Governmental Fund	General Fund	437,864
	Nonmajor Governmental Funds	159,582
	Enterprise Funds	503
	Internal Service Funds	47
Enterprise Funds	Nonmajor Governmental Funds	1,060
Internal Service Funds	General Fund	785
	Nonmajor Governmental Funds	2,643
	Internal Service Funds	37
Total		$1,201,520

The purpose of these Transfers was primarily for reimbursement of project costs, lease payments, initiation fees, bank activity posting and replacement costs.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Due To/Due From other Funds at June 30:

Receivable Fund	Payable Fund	Amount
General	Tobacco Securitization	$ 4,802
	Nonmajor Governmental Funds	101,885
	Enterprise Funds	58
	Internal Service Funds	58,122
	Trust & Agency Funds	33,829
Tobacco Securitization Corporation	Trust & Agency Funds	20
Nonmajor Governmental Fund	General Fund	5,656
	Nonmajor Governmental Funds	2,964
	Enterprise Funds	446
	Internal Service Funds	706
	Trust & Agency Funds	20,260
Enterprise Funds	General Fund	45
	Nonmajor Governmental Funds	554
	Enterprise	420
	Internal Service Funds	189
	Trust & Agency Funds	543
Internal Service Funds	General Fund	12,467
	Nonmajor Governmental Funds	1,662
	Enterprise Funds	152
	Internal Service Funds	750
	Trust & Agency Funds	10,461
Trust & Agency Funds	General Fund	4,984
	Nonmajor Governmental Funds	9,096
	Enterprise Funds	1
	Internal Service Funds	254
	Trust & Agency Funds	43,740
Total		$ 314,066

Advances To/From at June 30:

	Advances To Other Funds	Advances From Other Funds
General Fund	$ 689	
Nonmajor Governmental Funds		
Flood Control District	103	
County Service Districts		410
Nonprofit Corporation – Debt Service	447	
Redevelopment Agency – Debt Service		287
Redevelopment Agency – Capital Projects		10,277
Enterprise Funds		
Airport	9,637	
Sanitation Districts	135	296
Internal Service Funds		
Special District Loans	259	
Total Advances To - Advances From Other Funds	$ 11,270	11,270

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(J) Divestiture of the County Transit System

On February 13, 2002, the Board of Supervisors approved divestiture of the County Transit System to the Metropolitan Transit Development Board (MTDB) to be effective on June 28, 2002. The County accounted for the transit system in the Transit Enterprise Fund. Capital assets valued at $4.5 million ($11.8 million less accumulated depreciation of $7.3 million) were removed from the books and transferred to MTDB. All outstanding contracts were assigned to MTDB. At June 30, 2002, a liability of $3.8 million was established to reflect cash and equivalents held in the Transit Fund pending disposition instructions from San Diego Association of Governments.

(5) Other Note Disclosures

(A) Commitments and Contingencies

(1) Litigation

In addition to the accrued liability for litigation and Workers Compensation claims described in Note 4B, the County has a potential liability of $56 million that could result if unfavorable final decisions were rendered in numerous lawsuits to which the County is a named defendant. Appropriations are budgeted annually for those portions of obligations coming due that fiscal year. Estimates of potential liabilities described above include estimates of claims incurred but not reported at June 30, 2002.

(2) Unrecorded Leave Benefits

County employees have unrecorded accumulated benefits of approximately $115.8 million in sick leave. These benefits are not payable to employees upon termination and are normally liquidated in future years as employees elect to use their benefits as prescribed by Civil Service rules and regulations. Accumulated vacation, sick leave, and compensatory time-off for which employees are eligible for payment upon separation have been recorded as current or long-term liabilities in the appropriate proprietary funds and the Statement of Net Assets as described in Note 1G.

(3) Tax and Revenue Anticipation Notes

On July 3, 2002, the County issued $135 million of Tax and Revenue Anticipation Notes to finance fiscal year 2002/03 General Fund cash flow requirements. The notes are scheduled to mature on July 31, 2003.

(4) Teeter Obligation Commercial Paper Notes

From November 1995 through June 2002, the County issued $96.1 million in taxable and $242.4 million in tax-exempt commercial paper notes (CP) to provide ongoing financing for tax apportionments to taxing jurisdictions within the County in the amount of delinquent secured property taxes due these districts. The notes are secured by delinquent secured property tax collections. No CP can be issued for a period longer than 270 days. At June 30, 2002, the outstanding balances of CP were $9.9 and $50.2 million for taxable and tax-exempt notes, respectively.

(5) Third Party Debt

Mortgage Revenue Bonds, Certificates of Participation, Industrial Development Revenue Bonds and Reassessment District Improvement Bonds as described below, together with interest thereon, are

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

limited obligations of the County payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and health institutions, developer loans secured by first deeds of trust, irrevocable letters of credit, irrevocable surety bonds and tax assessments. In the opinion of County officials, these bonds and certificates are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability for these bonds have been recorded in the Statement of Net Assets.

Mortgage Revenue Bonds

Multi-family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the County to be partially occupied by persons of low or moderate income. Between December 1985 and June 2002, the County issued $49.7 million of Mortgage Revenue Bonds of which $40.2 million were still outstanding as of June 30, 2002.

Certificates of Participation

The County has implemented a conduit program whereby the County is the issuer of tax-exempt bonds and loans the proceeds to a qualifying for profit or nonprofit organization. These organizations make payments to the County equal to the debt service on the bonds. Beginning in April 1998, $112 million in Certificates of Participation have been issued to provide funding for construction of capital improvements and refunding of prior obligations for a hospital and medical center located within the County. In December 1998, the County entered into a lease agreement with the San Diego Natural History Museum to issue $15 million of COPs to finance certain museum improvements. In September 1999, the County entered into a lease agreement with the Burnham Institute to issue $51.5 million of COPs to finance the purchase of real property. In March 2000, the County entered into a lease agreement with the San Diego Museum of Art to issue $6 million of COPs to finance certain museum improvements. In April 2000, the County entered into a lease with the Salk Institute to issue $15 million of COPs to finance the acquisition, construction and equipping of certain research facilities. In May 2001, the County entered into a lease agreement with the University of San Diego to issue $36.9 million of COPs to finance certain capital improvements for the University. As of June 30, 2002, $231.3 million of such COPs are still outstanding.

Reassessment District Improvement Bonds

Reassessment District Improvement Bonds were issued to provide for refunding an earlier issuance of Improvement Bonds for an assessment district. The district issued $28.8 million of Improvement Bonds in July 1991 to finance the acquisition of certain infrastructure improvements specially benefiting properties within an assessment district. In July 1997, the district issued $21.8 million of Reassessment Bonds to refund the original issuance, of which $17.7 million were still outstanding as of June 30, 2002.

(6) Federal Programs

The County participates in a number of federal financial assistance programs. Although these programs have been audited through June 30, 2000, in accordance with the provisions of the Single Audit Act of 1996, the resolution of previously identified questioned costs has not occurred. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, to be immaterial.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(7) SDCERA

SDCERA is party to financial instruments with off-balance sheet risk to generate earnings and stabilize excess earnings from active management of fixed income securities and common stocks. Managed futures contracts include, but are not limited to, contracts for delayed delivery of securities, commodities, or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counter-parties to meet the terms of their contract. The risks of loss from these off-balance sheet financial instruments include minimal credit risks, but include the possibility that future changes in market prices may make such financial instruments less valuable (market risk). Not reflected in the pension trust fund financial statements are commitments to acquire real estate for investment totaling $63.5 million and alternative equity for $108.6 million.

(8) Deposits for Other Agencies

The Treasurer is a named paying agent for various bonds issued by other agencies, e.g., school districts, pursuant to the bond covenants. The proceeds from these issues are deposited with financial institutions as guaranteed investment contracts in accordance with the provisions of the bond resolution and contractual relationships between the Treasurer and these financial institutions. The amounts deposited belong to the specific agency which issued the bonds and are not assets of the County reporting entity and are not held in the County's external investment pool. The County has no liability with respect to these issues.

(B) Risk Management

The County operates a Risk Management Program, whereby it is self-insured for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, and general liability. The County purchases insurance for property damage, certain casualty claims, public officials bond, employee dishonesty, faithful performance, volunteers, excess workers' compensation (for losses greater than $1 million), airport comprehensive, and loss of money and securities based upon site locations. Earthquake insurance coverage decreased from $75 million to $50 million. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. During fiscal year 1994/95, the County established an Internal Service Fund (ISF) to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. An actuarial evaluation was used to determine the public liability and workers compensation total risk liability at June 30, 2002. At June 30, 2002, the amount of these liabilities, including an estimate for claims incurred but not reported, was estimated at $97.8 million, including $16.1 million in public liability and $81.7 million in workers' compensation. The County began allocating the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll beginning fiscal year 1996/97. Changes in the balances of claim liabilities for fiscal year 2000/01 and 2001/02 were as follows (in thousands):

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2000/01	$ 59,523	51,593	(26,906)	84,210
2001/02	84,210	46,344	(32,760)	97,794

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(C) Joint Venture

The County is a participant with 16 incorporated cities in a joint venture to operate an emergency services organization for the purpose of providing regional planning and mutual assistance in the event of an emergency or disaster in the region including accidents involving hazardous waste. The organization is governed by the Unified Disaster Council composed of one voting member from each represented jurisdiction. A contractual agreement requires that the cities provide one- half of the total required funding each year. The County, by agreement, also provides one-half of the required yearly funding. Any participant may terminate participation in the agreement by giving 120 days notice prior to the beginning of the next fiscal year. Total participant contributions for the 2001/02 fiscal year were $403,840. The organization had a cumulative surplus of $223,902 at June 30, 2002. Separate financial statements for the joint venture may be obtained from the County Chief Financial Officer/Auditor and Controller.

(D) Jointly Governed Organizations

The County Board of Supervisors jointly governs two service authorities, the Service Authority for Abandoned Vehicles and the Service Authority for Freeway Emergencies (S.A.F.E.). These Authorities are governed by two seven-member boards, consisting of representatives from the city councils of the incorporated cities within the County and two members of the County Board of Supervisors. The purpose of the authorities is to provide for the removal of abandoned vehicles on streets and highways and to provide for freeway emergency call boxes on major freeways within the County, respectively. Funding for the authorities is derived from vehicle license fee surcharges, which are collected by the State and deposited into the County Treasury. The County provides minimal administrative staff support for these authorities.

The County Board of Supervisors and the San Diego City Council jointly govern the San Diego Workforce Partnership (the "Partnership"). The Partnership's Board of Directors consists of two members of the County Board of Supervisors, two members from the San Diego City Council and one member of a charitable organization. The purpose of the Partnership is to provide employment training to area residents. Funding for such training is provided by State and Federal grants.

The County also jointly governs the San Dieguito River Valley Authority, the Serra Cooperative Library System, Southern California Regional Training and Development Center, and the Van Horn Regional Treatment Facility. The governing boards of these entities consist of representatives from the County and/or other regional governments and other counties. The County does not appoint a voting

majority to the above boards. Services provided by these entities include park land acquisition, coordination of library services, regional governmental training, and treatment of emotionally disturbed youth.

(E) San Diego County Employees' Retirement System

(1) Plan Description

The SDCERA administers a multi-employer plan which, provides retirement, disability, and death benefits for plan members and beneficiaries pursuant to the County Retirement Law of 1937, as enacted and amended by the State legislature. The plan is integrated with the Federal Social Security System. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the SDCERA Board of Retirement. SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. The financial report may be obtained by writing to the San Diego County Employees Retirement Association, 401 West A Street, Suite 1300, San Diego, California 92101 or by calling (619) 515-0130.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(2) Basis of Accounting and Fair Value of Investments (See Notes 1D and 1F, respectively).

(3) Funding Policy

State statutes require member contributions to be actuarially determined to provide a specific statutory level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the County to pay a portion of the employees' contribution. Member contribution rates (weighted average) expressed as a percentage of salary are 8.399%-8.85% for general members and 9.27% for safety members. The County is also required by State statutes to contribute at an actuarially determined rate; the 2001/02 rates, expressed as a percentage of covered payroll, are – 0% for general members and 2.96% for safety members.

(4) Annual Pension Cost

For the fiscal year ended June 30, 2002, the County's annual pension cost was zero. The County's actual contribution during the fiscal year ended June 30, 2002, totaled 5.3 million, resulting in a net pension obligation of 7.7 million as of June 30, 2002, compared to 15.5 million at the end of the prior year. The required contribution rates, as adopted by the SDCERA Board, were determined as part of the June 30, 2000 actuarial valuation based on entry-age actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate-of-return, (b) projected salary increases of 4.5% per year, and (c) cost-of-living increases for retirees of 3.0%.

(5) Three-Year Trend Information (In Thousands):

Fiscal Year Ending	Annual Pension Cost (ARC)	Percentage of ARC Contributed	Net Pension Obligation
06/30/2000	14,341	0%	14,341
06/30/2001	4,927	41.3%	15,548
06/30/2002	0	100%	7,686

The Board of Retirement elected to offset the County's annual required contributions (ARC) for the fiscal year ending June 30, 2000 from the considerable surplus within the Pension Trust Fund. Therefore, no County monies were expended for the ARC.

(6) Retiree Health Benefits:

Retiree health benefits may be available to eligible retirees to the extent that the Board of Retirement on an annual basis approves the payments of such benefits. The Board of Supervisors and the Board of Retirement adopted a funding mechanism under 401(h) of the Internal Revenue Service Code, which calls for a portion of the County's contributions to be deposited to a separate account each year. The amount of the contributions placed in this account are then withdrawn from the investment earnings which exceed the assumed rate of return of the portfolio, and placed in the retirement fund to ensure the funding of the pension benefits are made whole and complete. The health benefits fund began its funding with $19.9 million that can only be used to pay retirement health benefits.

Approximately 9,600 retirees or surviving spouses are eligible to receive these benefits. SDCERA recognizes the cost of providing those benefits by expending annual insurance premiums, which approximated $14.3 million for fiscal year 2001/02. A reserve established by the SDCERA Board of Directors for the payment of postretirement health care benefits was approximately $285.6 million at June 30, 2002, a $104.1 million increase from the previous fiscal year.

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

(7) Equity and Bond Swaps and Futures Contracts

SDCERA utilizes various financial instruments, such as, equity and bond interest rate swap agreements and stock and bond futures contracts, in order to synthetically create exposure to the equity and bond markets. These financial instruments are intended to be equivalent to the asset they are designed to emulate, and SDCERA management believes such investments offer significant advantages over the direct investment in securities, including lower transaction fees and custody costs. The SDCERA governing board of directors has adopted a policy whereby specified amounts of cash and certain securities equal the exposures resulting from these agreements.

The use of swap agreements does expose the pension trust fund to the risk of dealing with financial counter parties and their ability to meet the terms of the contracts. Forward contracts for the purchase of certain commodities are reported at fair market value in the financial statements. Obligations to purchase the commodities are not recognized until the commodities are delivered.

(F) New Special Revenue Funds

During the fiscal year, the County formed one new Special Revenue Fund entitled San Diego County In House Supporting Services Authority (IHSS). The Board of Supervisors is the governing body of the authority. The mandated functions of this authority include the establishment and administration of an IHSS registry, Investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSS recipients and the provision for training of providers and recipients. Financing is provided by the Social Services Realignment fund, federal and state programs. An initial budget of $2.9 million was approved.

(G) Prior Year Advance

Prior to the issuance of Revenue Bonds in 1995 by the San Diego County Redevelopment Agency, the County Airport Enterprise Fund funded the initial expenditures of the Agency's two airport projects. The Redevelopment Agency is required to reimburse the Airport Enterprise Fund, which spent approximately $9.6 million on the projects consisting of $3.7 million for initial expenditures and $5.9 million for 2001. The Agency pays interest on advances, but is not responsible for payment until funds are available for this purpose. As of June 30, 2002, interest of approximately $3.7 million has accrued on these advances.

(H) New Governmental Accounting Standards

In prior years, many nonexchange dollars were collected and maintained in agency funds until such time as they reimbursed expenditures incurred in the general fund and other funds of the County. Thus, revenues were not earned when received, but when expenditures were incurred. Under GASB Statement No. 33, the accounting method changed to require most nonexchange dollars to be recognized as revenues in the general fund or other appropriate fund when received. Due to time restrictions, revenue recognition was deferred. Purpose restrictions did not affect revenue recognition,
but do require a reservation of fund balance. The County analyzed hundreds of its trust and agency funds to determine the proper revenue recognition under the new standard. Many agency funds were found to hold assets for county purposes. These funds were reclassified. The agency column now reports only assets held in an agent capacity for other governments, organizations and individuals.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This is a landmark statement that requires government agencies nationwide to report both on a fund basis and also on a government-wide full accrual basis, including infrastructure assets. A comprehensive management's discussion and analysis section is also presented. In June 2001, the GASB issued Statement No. 37, "Basic

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus". This statement will help governments to better implement GASB Statement No. 34 as it clarifies and modifies certain provisions of that statement. It also provides for a more consistent application to meet changing requirements. In June 2001, the GASB also issued Statement No. 38, "Certain Financial Statement Note Disclosures". This statement will provide users with new information while eliminating some disclosures no longer needed. Some requirements addressed are revenue recognition, debt service, receivables, payables, interfund transfers and short term debt. The County has adopted the new standards in Statement Nos. 34, 37 and 38 for the current year.

The adoption of GASB No. 34 has resulted in a restatement of fund balances as follows:

	Governmental Activities
Net assets:	
Fund balances at June 30, 2001 as previously reported governmental fund types:	
General	$ 618,284
Special revenue	444,459
Debt Service	38,500
Capital projects	22,535
Total fund balances at June 30, 2001, as previously reported	1,123,778
Discretely presented component unit previously reported as a special revenue fund	(111,814)
GASB Statement No. 34 adjustments:	
Addition of:	
Beginning residual balances from internal activities accounted for as internal service funds	85,878
Net capital assets	2,552,280
Long term liabilities	(1,039,451)
Net bond discount	4,202
Interest on long term debt	(14,190)
Pension Benefit Obligation	(15,548)
Adjustment for deferred revenue	18,549
Net assets as of July 1, 2001	$ 2,603,684

(I) Securitization of Tobacco Settlement Revenues

The Tobacco Securitization Authority of Southern California (the "Authority") issued $446,860 in aggregate principal amount of Tobacco Settlement Asset-Backed Bonds in January of 2002 (the "Bonds"), in order to fund the Authority's loan to San Diego Tobacco Asset Securitization Corporation, a California non-profit public benefit corporation (the "Borrower") pursuant to a loan agreement between the Authority and the Borrower. The Borrower in turn used the net proceeds of the financing, in the amount of $411 million, to pay to the County, in return for the County's transfer to the Corporation of all of the County's right, title and interest in and to and under a Master Settlement Agreement (the "MSA"), as agreed to by the State and participating jurisdiction, and a Memorandum of Understanding (the "MOU") and a supplemental agreement (the "ARIMOU") among the State of California, all California counties and four California cities, including the right of the County to receive Tobacco Settlement Payments. The MSA was entered into in November 1998, among the Attorney Generals of 46 states, the District of Columbia, The Commonwealth of Puerto Rico, Guam, U.S. Virgin Islands, American Samoa and the Commonwealth of Northern Mariana Islands and collectively, the "Settling States" and the four largest tobacco manufacturers. Under the terms of the MSA, the settling tobacco companies agreed, among other things, to make periodic payments in perpetuity

NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2002

("Tobacco Settlement Payments") in exchange for being released from claims related to the use of tobacco products. Under the MOU and the ARIMOU, the State of California agreed to distribute 50% of the Tobacco Settlement Payments it received to California counties (including the County) and four cities; the relative amounts to be received by the counties is based upon population, with adjustments being made in response to each decennial U.S. census. When the Tobacco Settlement Payments became available to the County, the County Board of Supervisors adopted Board Policy E-14, which establishes guidelines for the allocation of these revenues to new and expanded programs that would serve these targeted populations and also promote healthy lifestyles. The emphasis is on prevention and education, and is intended to reduce the abuse of alcohol, tobacco and other addictive substances, improve mental health services, significantly reduce violence and abuse, reduce the incidence of chronic and infectious diseases, and provide education regarding the effects of tobacco.

Prior to its sale of the Tobacco Settlement Payments, the County of San Diego had received approximately three years of annual payments. The County expects to use approximately $27.3 million annually from the proceeds from the sale (which were deposited in an endowment fund and invested in municipal securities) for Board Policy E-14 purposes.

The bonds are limited obligations of the Authority payable solely from payments made by the Corporation, from Tobacco Settlement Payments purchased from the County, to the Authority under the loan agreement between the Corporation and the Authority. The bonds do not constitute a charge against the general credit of the Authority or the County and neither will the Authority (except from loan payments by the Corporation) or the County be obligated to pay the interest on or principal of these bonds. These bonds do not constitute a debt, liability or obligation (legal, moral or otherwise) of the County.

Future debt service requirements of the Authority as of June 30, 2002 are as follows: (in thousands)

Fiscal Years Ending June 30	Principal	Interest	Total Debt Service
2003	$ 3,385	25,351	28,736
2004	1,830	25,216	27,046
2005	2,155	25,143	27,298
2006	2,015	25,056	27,071
2007	1,890	24,976	26,866
2008-2013	14,815	147,552	162,367
2014-2019	20,725	142,519	163,244
2020-2025	37,390	134,061	171,451
2026-2031	62,710	118,962	181,672
2032-2037	99,515	93,471	192,986
2038-2043	212,365	54,552	266,917
Total	$ 458,795	816,859	1,275,654

(J) Subsequent Event Disclosure

On February 12, 2002, The Board of Supervisors of the County adopted enhanced retirement benefits for members of the County's Employees' Retirement Association. As a result of these benefits, the County incurred an increased obligation pursuant to the Retirement Law as an unfunded accrued actuarial liability to the Association. In September 2002, the County of San Diego issued $737.3 million of fixed and variable rate taxable Pension Obligation Bonds to finance a portion of the County's statutory obligations resulting from the County implementing in March of 2002 a new enhanced retirement package. The issue consisted of $10.4 million for cost of issuance, $176.9 million to refund a portion of the 1994 Taxable Pension Obligation Bonds and $550.2 million to the retirement Association.

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Required Supplementary Information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2002
(In Thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget-Pos (Neg)
	Original	Final		
Revenues				
Taxes	$ 355,006	353,449	369,199	15,750
Licenses, permits and franchises	25,881	25,928	28,250	2,322
Fines, forfeitures and penalties	26,824	26,824	33,978	7,154
Revenue from use of money and property	20,822	23,072	21,966	(1,106)
Aid from other governmental agencies:				
State	888,580	933,181	646,680	(286,501)
Federal	415,817	437,164	495,775	58,611
Other	45,383	47,797	43,150	(4,647)
Charges for current services	188,346	194,952	210,908	15,956
Other revenue	20,745	31,676	37,092	5,416
Total revenues	1,987,404	2,074,043	1,886,998	(187,045)
Expenditures				
Current:				
General	223,276	237,607	157,779	79,828
Public protection	799,376	863,830	798,964	64,866
Public ways and facilities	5,592	6,041	5,093	948
Health and sanitation	573,524	610,606	538,078	72,528
Public assistance	807,369	873,088	766,759	106,329
Education	570	588	475	113
Recreational and cultural	18,052	19,467	16,622	2,845
Debt service	5,495	5,495	5,495	
Total expenditures	2,433,254	2,616,722	2,289,265	327,457
Excess of revenues over (under) expenditures	(445,850)	(542,679)	(402,267)	(140,412)
Other Financing Sources (Uses)				
Sale of capital assets	230	230		(230)
Transfers in	436,631	481,139	466,729	(14,410)
Transfers (out)	(173,551)	(217,508)	(210,858)	6,650
Encumbrances, beginning of year		99,848	99,848	
Total other financing sources (uses)	263,310	363,709	355,719	(7,990)
Net change in fund balance	(182,540)	(178,970)	(46,548)	132,422
Fund Balances - Beginning of Year	182,540	373,908	373,908	
Increase (decrease) in:				
Reserve for inventory of Materials and supplies			(266)	(266)
Fund balances - end of year	$	194,938	327,094	132,156

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL GENERAL FUND
Year Ended June 30, 2002
(In Thousands)

Explanation of differences between budget to actual comparison schedule using the operating statement format and GAAP revenues and expenditures

REVENUES:

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule	$1,886,998
Differences-budget to GAAP	
Adjustment to cash for fair market value	54
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental	1,887,052

EXPENDITURES:

Actual amounts (budgetary basis) "total charges to appropriation" from budgetary comparison schedule	2,289,265
Differences-budget to GAAP	
Year end encumbrances are added tp actuals for budgetary basis but not included in GAAP	(47,643)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund	2,241,622

OTHER FINANCING SOURCES (USES):

Actual amounts (budgetary basis) from budgetary comparison schedule	355,719
Differences - budget to GAAP	
Transfer Out - year end encumbrances are added to actuals transfers out for budgetary basis but not included in GAAP	51,033
Beginning of Year encumbrances are included in budget in the budgetary basis but not included for GAAP	(99,848)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$306,904

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TOBACCO SECURITIZATION
Year Ended June 30, 2002
(In Thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget-Pos (Neg)
	Original	Final		
Revenues:				
Revenue from use of money and property	$		2,720	2,720
Other revenue	29,400	29,400	411,913	382,513
Total revenues	29,400	29,400	414,633	385,233
Expenditures:				
Total expenditures				
Excess of revenues over (under) expenditures	29,400	29,400	414,633	385,233
Other Financing Sources (Uses):				
Transfers (out)	(29,400)	(29,400)	(27,261)	2,139
Total other financing sources (uses)	(29,400)	(29,400)	(27,261)	2,139
Excess of revenues over (under) expenditures and other financing sources (uses)			387,372	387,372
Fund Balances - Beginning of Year				
Fund Balances - End of Year	$		387,372	387,372

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TOBACCO SECURITIZATION
Year Ended June 30, 2002
(In Thousands)

Explanation of differences between budget to actual comparison schedule using the operating statement format and GAAP revenues and expenditures

REVENUES:

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedule	$414,633
Differences-budget to GAAP	
Adjustment to cash for fair market value	10
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental	$414,643

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2002

Budgetary Information

General Budget Policies

An operating budget is adopted each fiscal year for the governmental funds. Annual budgets are not required to be adopted for SANCAL, a non-profit corporation. Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. Budgets for the governmental funds are adopted on a basis of accounting that is different from generally accepted accounting principles.

The major areas of differences are as follows:

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes in the fund financial statements, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, in the fund financial statements such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis in the fund financial statements, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. Departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations. All amendments to the adopted budget require Board approval and, as such, reported budget figures are as originally adopted or subsequently amended by the Board. Supplemental appropriations during the year ended June 30, 2002, amounted to $165.5 million in the General Fund.

San Diego County Employees' Retirement System

Schedule of Funding Progress (In millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll (b-a)/(c)
06/30/2000	3,568.7	3,248.8	0	109.8%	672.5	0%
06/30/2001	3,745.6	3,506.8	0	106.8%	731.1	0%
06/30/2002	3,831.3	5,078.0	1,246.7	75.4%	810.3	153.8

Combining Financial Statement and Supplemental Information

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

ROAD FUND
This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway user taxes and are supplemented by federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

HCD FUND
The Housing and Community Development Fund was established to receive federal community development block grants as well as state grants. Expenditures are for special projects related to various housing programs within the County.

AIR POLLUTION FUND
This fund was established to provide for control of air pollution from motor vehicles and other sources in order to attain health based air quality standards. Revenue sources include license and permit fees, fines, state and federal funds, charges to property owners and vehicle registration fees.

LIGHTING DISTRICT FUND
This fund was established to provide street and road lighting services to specified areas of the County. Revenue sources include ad valorem taxes, benefit fees, state funding and charges to property owners.

COUNTY LIBRARY FUND
This fund was established to provide library services for the unincorporated area as well as some of the incorporated cities within the county. The County Library now operates a headquarters, 31 branches, 2 bookmobiles and 1 adult literacy site. Property taxes provide most of the fund's revenues, federal aid, state aid and fines provide the remaining revenues.

ASSET FORFEITURE PROGRAM FUND
This fund was established to account for assets which have been seized by law enforcement agencies during the investigation of criminal activities. These monies and the interest derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators.

INMATE WELFARE PROGRAM FUND
This fund was established to receive telephone and other vending commissions and profits from stores operated in connection with the county jail and probation facilities. Fund expenditures, by law, must be solely for the benefit, education and welfare of confined inmates.

INACTIVE WASTESITES FUND
This fund was established to receive one-time homeowner association deposits and residual funds from the sale of the County's Solid Waste System. Expenditures include repairs, maintenance and care for the County's inactive landfill sites in accordance with all applicable governmental regulations, laws and guidelines.

CABLE TV FUND
This fund was established to account for revenue earned and expenditures made for cable television related projects appropriated for the benefit of the cable subscribers who have paid the user fees for this fund.

PARK LAND DEDICATION FUND
This fund was established to receive and expend special park land dedication fees to developers of land as a condition for approval of any development. The fees are then used for the purchase of land and the development of land for park or recreational facilities. These facilities serve the future residents of such developments. In lieu of the payment of these fees, the developer may dedicate land for park or recreational facilities.

NONPROFIT CORPORATION FUND
The nonprofit corporation fund, San Diego County Capital Asset Leasing Corporation, was established as a cost-effective means of financing the purchase of necessary equipment and the acquisition and construction of permanent buildings on behalf of the County through the sale of tax exempt certificates of participation.

COUNTY SERVICE DISTRICTS FUNDS
These special district funds were established to provide authorized services such as road, park, lighting maintenance, fire protection or ambulance service to specific areas in the County. They are financed by ad valorem property taxes in the area benefited or by special assessments levied on specific properties.

FLOOD CONTROL DISTRICT FUND
This fund was established to account for revenues and expenditures related to providing flood control in the county. It is financed primarily by ad valorem property taxes and federal grants.

HOUSING AUTHORITY FUND
This fund was established to account for revenues and expenditures related to providing decent housing in a suitable environment for individuals who cannot afford standard private housing. Contracts with the U.S. Department of Housing and Urban Development provide the major funding sources.

REALIGNMENT FUND
This fund was established to account for revenues and expenditures related to providing health, mental health and public assistance programs to qualifying individuals. It is based upon the state health and welfare realignment act of 1991. The financing is provided by a one-half cent sales tax as provided in the State's Revenue and Taxation Code.

PUBLIC SAFETY FUND
This fund was established to account for revenues and expenditures related to providing public safety services such as sheriffs, fire protection, county district attorneys and county corrections. It does not include courts, but provides for an allocation to cities. It is financed by a one-half sales and use tax passed through a voter approved state proposition.

OTHER SPECIAL DISTRICTS FUNDS
These funds were established to receive user fees, land lease revenues, fines and state funding. Expenditures include retracement or remonument surveys, improvements for grazing lands, wildlife propagation and aviation purpose capital improvements and repairs.

IN HOME SUPPORT SERVICES (IHSS)
This authority was established for the administration of the IHSS registry, investigation of the qualifications and background of potential registry personnel, referral of registry personnel to IHSS recipients and the provision for training of providers and recipients. Financing is provided by the Social Services Realignment fund, federal and state programs.

DEBT SERVICE FUNDS

PENSION OBLIGATION BONDS FUND
This fund receives payments from the County and other agencies for payment of principal and interest due on 1994 taxable pension obligation bonds. The debt issue was used to satisfy the County's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the association. The obligation of the County to make payments with respect to the bonds is an absolute and unconditional priority obligation of the County imposed by law and payment of principal and interest on the bonds is not limited to any special source of funds.

NONPROFIT CORPORATION FUND
This fund receives rental payments based on lease purchase agreements from the capital outlay fund and the general fund for payment of principal and interest due on certificates of participation. These debt issuances are legal obligations of a nonprofit corporation and were issued to finance the purchasing of necessary equipment and the acquisition and construction of permanent buildings by the County. Debt is secured by the lease purchase payments from the County.

REDEVELOPMENT AGENCY FUND
This fund receives proceeds of redevelopment area incremental taxes and interest revenues based on a trust agreement between the agency and a trustee bank for payment of principal and interest due on revenue bonds. Pledged installments from the county airport system are deposited with a trustee and are available if taxes and interest are insufficient to pay debt service payments. In addition to the pledged amounts, a bond reserve was funded with bond proceeds.

SPECIAL AVIATION FUND
This fund receives operating transfers from the airport enterprise fund for payments of principal and interest due on two long-term loans from the State of California. The loans were made to the special aviation special revenue fund (other special districts) to finance a control tower and sewer lines for the Ramona airport.

CAPITAL PROJECTS FUND

CAPITAL OUTLAY FUND
This fund is used exclusively to finance the acquisition, construction and completion of permanent public improvements including public buildings and for the costs of acquiring land and permanent improvements. The fund may also be used to make annual payments on bond indebtedness for the construction of public facilities and to acquire public facilities through lease purchases. Revenues are obtained from the sale of fixed assets, from lease or rental of county-owned facilities, and from other funds such as grants and contributions when allocated by the Board of Supervisors to the fund.

EDGEMOOR DEVELOPMENT FUND
This fund is used exclusively for assisting in the development of the Edgemoor property. The Edgemoor property represents approximately 375 acres of county owned land and 50 acres owned by the Grossmont Union High School District in the Santee area. Future development may include parks, a library, housing, a fire station, post office and others. Revenues are derived from the sale or lease of land within the Edgemoor property.

NONPROFIT CORPORATION FUND
This fund is used to account for the expenditure of the proceeds from the sale of nonprofit corporation certificates of participation for the purchase of various types of equipment and the acquisition and construction of permanent buildings by the County.

REDEVELOPMENT AGENCY FUND
This fund is used to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans. Redevelopment project expenditures, in accordance with California community redevelopment law, include redevelopment planning, design, improvement cost, professional services and administrative costs.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2002
(In Thousands)

		Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS					
Equity in pooled cash and investments	$	248,439	1,987	14,761	265,187
Cash with fiscal agent		1,569	24,654	15,161	41,384
Collections in transit		625			625
Imprest cash		17			17
Accounts and notes receivable		90,875	352	7,991	99,218
Due from other funds		21,873	770	7,389	30,032
Advances to other funds		103	447		550
Inventory of materials and supplies		2,736			2,736
Deposits with others		193		7	200
Restricted Assets:					
Investments		71,451			71,451
Total assets		437,881	28,210	45,309	511,400
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		8,934		3,437	12,371
Accrued payroll		1,947			1,947
Due to other funds		102,740	2	13,419	116,161
Advances from other funds		410	287	10,277	10,974
Deferred revenue		2,312		3,330	5,642
Total liabilities		116,343	289	30,463	147,095
Fund Balances:					
Reserved for encumbrances		61,421		428	61,849
Reserved for notes receivable and advances		26,417			26,417
Reserved for deposits with others		193			193
Reserved for inactive landfill maintenance		97,903			97,903
Reserved for inventory of materials and supplies		258			258
Reserved for debt service			27,921		27,921
Reserved for other purposes		37,163			37,163
Unreserved:					
Designated for subsequent years' expenditures		85			85
Undesignated		98,098		14,418	112,516
Total fund balances		321,538	27,921	14,846	364,305
Total liabilities and fund balances	$	437,881	28,210	45,309	511,400

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
June 30, 2002
(In Thousands)

		Road	HCD	Air Pollution	Lighting District
ASSETS					
Equity in pooled cash and investments	$	47,077	3,422	40,116	1,722
Cash with fiscal agent				2	
Collections in transit		363	38	13	
Imprest cash		3		1	
Accounts and notes receivable		6,238	17,598	1,167	33
Due from other funds		2,595	446	297	17
Advances to other funds					
Inventory of materials and supplies		2,478		59	
Deposits with others		22	9		
Restricted Assets:					
Investments					
Total assets		58,776	21,513	41,655	1,772
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		2,840	756	1,918	157
Accrued payroll		1,109		332	
Due to other funds		2,046	4,587	209	21
Advances from other funds					
Deferred revenue		336	53	178	
Total liabilities		6,331	5,396	2,637	178
Fund Balances:					
Reserved for encumbrances		27,345		22,389	21
Reserved for notes receivable and advances			16,102		
Reserved for deposits with others		22	9		
Reserved for inactive landfill maintenance					
Reserved for inventory of materials and supplies				59	
Reserved for other purposes		21,579			1,051
Unreserved:					
Designated for subsequent years' expenditures					
Undesignated		3,499	6	16,570	522
Total fund balances		52,445	16,117	39,018	1,594
Total liabilities and fund balances	$	58,776	21,513	41,655	1,772

(Cont)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
June 30, 2002
(In Thousands)

(Cont)

	County Library	Asset Forfeiture Program	Inmate Welfare Program	Inactive Wastesites
ASSETS				
Equity in pooled cash and investments	$ 8,445	4,232	6,574	28,216
Cash with fiscal agent				
Collections in transit	41		70	39
Imprest cash	5		8	
Accounts and notes receivable				256
Due from other funds	409	35	99	370
Advances to other funds				
Inventory of materials and supplies	124		68	6
Deposits with others				
Restricted Assets:				
Investments				71,451
Total assets	9,024	4,267	6,819	100,338
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	131	4	622	1,037
Accrued payroll	458			44
Due to other funds	512	82	286	264
Advances from other funds				
Deferred revenue				973
Total liabilities	1,101	86	908	2,318
Fund Balances:				
Reserved for encumbrances	3,975	61	1,086	111
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				97,903
Reserved for inventory of materials and supplies	124		68	6
Reserved for other purposes				
Unreserved:				
Designated for subsequent years' expenditures	85			
Undesignated	3,739	4,120	4,757	
Total fund balances	7,923	4,181	5,911	98,020
Total liabilities and fund balances	$ 9,024	4,267	6,819	100,338

(Cont)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
June 30, 2002
(In Thousands)

(Cont)

	Cable TV	Parkland Dedication	Nonprofit Corporation	County Service Districts
ASSETS				
Equity in pooled cash and investments	$ 1,833	7,298	117	12,092
Cash with fiscal agent			1,567	
Collections in transit		34		
Imprest cash				
Accounts and notes receivable				
Due from other funds	13	69		158
Advances to other funds				
Inventory of materials and supplies	1			
Deposits with others				
Restricted Assets:				
Investments				
Total assets	1,847	7,401	1,684	12,250
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	62	5	15	382
Accrued payroll				4
Due to other funds	10	1,019		326
Advances from other funds				410
Deferred revenue				
Total liabilities	72	1,024	15	1,122
Fund Balances:				
Reserved for encumbrances	93	944		473
Reserved for notes receivable and advances				
Reserved for deposits with others				
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies	1			
Reserved for other purposes				
Unreserved:				
Designated for subsequent years' expenditures				
Undesignated	1,681	5,433	1,669	10,655
Total fund balances	1,775	6,377	1,669	11,128
Total liabilities and fund balances	$ 1,847	7,401	1,684	12,250

(Cont)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
June 30, 2002
(In Thousands)

(Cont)

		Flood Control District	Housing Authority	Realignment
ASSETS				
Equity in pooled cash and investments	$	19,440	6,608	38,879
Cash with fiscal agent				
Collections in transit		24	1	
Imprest cash				
Accounts and notes receivable			12,879	22,910
Due from other funds		151	153	2,001
Advances to other funds		103		
Inventory of materials and supplies				
Deposits with others		54	108	
Restricted Assets:				
Investments				
Total assets		19,772	19,749	63,790
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		18	983	
Accrued payroll				
Due to other funds		331	1,214	47,178
Advances from other funds				
Deferred revenue			772	
Total liabilities		349	2,969	47,178
Fund Balances:				
Reserved for encumbrances		1,558		
Reserved for notes receivable and advances		103	10,212	
Reserved for deposits with others		54	108	
Reserved for inactive landfill maintenance				
Reserved for inventory of materials and supplies				
Reserved for other purposes		14,533		
Unreserved:				
Designated for subsequent years' expenditures				
Undesignated		3,175	6,460	16,612
Total fund balances		19,423	16,780	16,612
Total liabilities and fund balances	$	19,772	19,749	63,790

(Cont)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
June 30, 2002
(In Thousands)

(Cont)

	Public Safety	IHSS Public Authority	Other Special Districts	Total Special Revenue
ASSETS				
Equity in pooled cash and investments	$ 15,721	2,727	3,920	248,439
Cash with fiscal agent				1,569
Collections in transit			2	625
Imprest cash				17
Accounts and notes receivable	29,794			90,875
Due from other funds	15,013	20	27	21,873
Advances to other funds				103
Inventory of materials and supplies				2,736
Deposits with others				193
Restricted Assets:				
Investments				71,451
Total assets	60,528	2,747	3,949	437,881
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		4		8,934
Accrued payroll				1,947
Due to other funds	44,074	50	531	102,740
Advances from other funds				410
Deferred revenue				2,312
Total liabilities	44,074	54	531	116,343
Fund Balances:				
Reserved for encumbrances	3,243	122		61,421
Reserved for notes receivable and advances				26,417
Reserved for deposits with others				193
Reserved for inactive landfill maintenance				97,903
Reserved for inventory of materials and supplies				258
Reserved for other purposes				37,163
Unreserved:				
Designated for subsequent years' expenditures				85
Undesignated	13,211	2,571	3,418	98,098
Total fund balances	16,454	2,693	3,418	321,538
Total liabilities and fund balances	$ 60,528	2,747	3,949	437,881

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
June 30, 2002
(In Thousands)

	Pension Obligation Bonds	Nonprofit Corporation	Redevelopment Agency	Total Debt Service
ASSETS				
Equity in pooled cash and investments	$ 23	567	1,397	1,987
Cash with fiscal agent	109	24,138	407	24,654
Accounts receivable		344	8	352
Due from other funds	88	666	16	770
Advances to other funds		447		447
Total assets	220	26,162	1,828	28,210
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds			2	2
Advances from other funds			287	287
Total liabilities			289	289
Fund Balances:				
Reserved for debt service	220	26,162	1,539	27,921
Total liabilities and fund balances	$ 220	26,162	1,828	28,210

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
June 30, 2002
(In Thousands)

	Capital Outlay	Edgemoor Development	Nonprofit Corporation	Redevelopment Agency	Total
ASSETS					
Equity in pooled cash and investments	$ 8,667	705	1,839	3,550	14,761
Cash with fiscal agent			15,161		15,161
Accounts and notes receivable	7,865	8	103	15	7,991
Due from other funds	7,347	5	13	24	7,389
Deposits with others	7				7
Total assets	23,886	718	17,116	3,589	45,309
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	3,064			373	3,437
Due to other funds	12,693	2	660	64	13,419
Advances from other funds				10,277	10,277
Deferred revenue	3,330				3,330
Total liabilities	19,087	2	660	10,714	30,463
Fund Balances:					
Reserved for encumbrances		28		400	428
Unreserved	4,799	688	16,456	(7,525)	14,418
Total fund balances	4,799	716	16,456	(7,125)	14,846
Total liabilities and fund balances	$ 23,886	718	17,116	3,589	45,309

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2002

(In Thousands)

		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental
Revenues:					
Taxes	$	36,448	538	3,784	40,770
Licenses, permits and franchises		9,558			9,558
Fines, forfeitures and penalties		1,557		4,156	5,713
Revenue from use of money and property		16,777	1,575	2,465	20,817
Aid from other governmental agencies:					
State		476,305		16,359	492,664
Federal		76,090		2,137	78,227
Other		9,058	4,727	842	14,627
Charges for current services		34,373		4,918	39,291
Other revenue		5,190		1,716	6,906
Total revenues		665,356	6,840	36,377	708,573
Expenditures:					
Current:					
General		2,577	49	5,565	8,191
Public protection		20,300		187	20,487
Public ways and facilities		92,751			92,751
Health and sanitation		23,480		173	23,653
Public assistance		71,492			71,492
Education		23,532			23,532
Recreational and cultural		1,780			1,780
Capital outlay				72,341	72,341
Debt service					
Principal		70	93,423		93,493
Interest		61	44,057		44,118
Total expenditures		236,043	137,529	78,266	451,838
Excess of revenues over (under) expenditures		429,313	(130,689)	(41,889)	256,735
Other Financing Sources (Uses):					
Sale of capital assets				2,230	2,230
Transfers in		83,778	126,934	99,970	310,682
Transfers (out)		(524,728)	(6,824)	(66,444)	(597,996)
Proceeds of refunding bonds		621	26,083	38,615	65,319
Payment to refunded bond escrow agent			(26,083)	(40,171)	(66,254)
Total other financing sources (uses)		(440,329)	120,110	34,200	(286,019)
Net change in fund balances		(11,016)	(10,579)	(7,689)	(29,284)
Fund balances - beginning of year		332,645	38,500	22,535	393,680
Increase (decrease) in:					
Reserve for inventory of materials and supplies		(91)			(91)
Fund balances - end of year	$	321,538	27,921	14,846	364,305

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2002
(In Thousands)

	Road	HCD	Air Pollution	Lighting District
Revenues:				
Taxes	$ 12,894			667
Licenses, permits and franchises	106		6,318	
Fines, forfeitures and penalties	8		667	
Revenue from use of money and property	1,822	1	1,333	71
Aid from other governmental agencies:				
State	48,594		6,902	11
Federal	2,412	9,611	1,855	
Other	21	446	5,005	
Charges for current services	15,118		10,126	216
Other revenue	1,984	477		8
Total revenues	82,959	10,535	32,206	973
Expenditures:				
Current:				
General				
Public protection				
Public ways and facilities	90,149			1,509
Health and sanitation			19,843	
Public assistance		6,935		
Education				
Recreational and cultural				
Debt service				
Principal				
Interest				
Total expenditures	90,149	6,935	19,843	1,509
Excess of revenues over (under) expenditures	(7,190)	3,600	12,363	(536)
Other Financing Sources (Uses):				
Transfers in	1,318		195	
Transfers (out)	(1,470)	(647)	(475)	
Proceeds of refunding bonds				
Total other financing sources (uses)	(152)	(647)	(280)	
Net change in fund balances	(7,342)	2,953	12,083	(536)
Fund balances - beginning of year	59,787	13,164	26,997	2,130
Increase (decrease) in:				
Reserve for inventory of materials and supplies			(62)	
Fund balances - end of year	$ 52,445	16,117	39,018	1,594

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2002
(In Thousands)

(Cont)

		County Library	Asset Forfeiture Program	Inmate Welfare Program	Inactive Wastesites
Revenues:					
Taxes	$	18,376			
Licenses, permits and franchises					6
Fines, forfeitures and penalties			841		
Revenue from use of money and property		299	176	4,417	6,733
Aid from other governmental agencies:					
State		1,952			145
Federal		2			
Other					
Charges for current services		1,043		276	954
Other revenue		419	30	72	549
Total revenues		22,091	1,047	4,765	8,387
Expenditures:					
Current:					
General					
Public protection			1,315	3,002	12,029
Public ways and facilities					
Health and sanitation					
Public assistance					
Education		23,532			
Recreational and cultural					
Debt service					
Principal					70
Interest					61
Total expenditures		23,532	1,315	3,002	12,160
Excess of revenues over (under) expenditures		(1,441)	(268)	1,763	(3,773)
Other Financing Sources (Uses):					
Transfers in		2,500		446	477
Transfers (out)		(710)		(1,655)	(99)
Proceeds of refunding bonds					
Total other financing sources (uses)		1,790		(1,209)	378
Net change in fund balances		349	(268)	554	(3,395)
Fund balances - beginning of year		7,589	4,459	5,361	101,415
Increase (decrease) in:					
Reserve for inventory of materials and supplies		(15)	(10)	(4)	
Fund balances - end of year	$	7,923	4,181	5,911	98,020

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2002
(In Thousands)

(Cont)

	Cable TV	Parkland Dedication	Nonprofit Corporation	County Service Districts
Revenues:				
Taxes	$			2,219
Licenses, permits and franchises	1,981	1,147		
Fines, forfeitures and penalties				
Revenue from use of money and property	70	281	275	529
Aid from other governmental agencies:				
State				34
Federal				
Other			22	3,542
Charges for current services	39			4,916
Other revenue	3			54
Total revenues	2,093	1,428	297	11,294
Expenditures:				
Current:				
General	1,821		756	
Public protection				738
Public ways and facilities				1,039
Health and sanitation				3,637
Public assistance				
Education				
Recreational and cultural		721		1,059
Debt service				
Principal				
Interest				
Total expenditures	1,821	721	756	6,473
Excess of revenues over (under) expenditures	272	707	(459)	4,821
Other Financing Sources (Uses):				
Transfers in	100		74,321	
Transfers (out)	(79)	(1,479)	(74,544)	(3,819)
Proceeds of refunding bonds			621	
Total other financing sources (uses)	21	(1,479)	398	(3,819)
Net change in fund balances	293	(772)	(61)	1,002
Fund balances - beginning of year	1,482	7,149	1,730	10,126
Increase (decrease) in:				
Reserve for inventory of materials and supplies				
Fund balances - end of year	$ 1,775	6,377	1,669	11,128

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2002
(In Thousands)

(Cont)

	Flood Control Districts	Housing Authority	Realignment	Public Safety
Revenues:				
Taxes	$ 2,292			
Licenses, permits and franchises				
Fines, forfeitures and penalties				
Revenue from use of money and property	177	289	91	
Aid from other governmental agencies:				
State	37		246,636	171,913
Federal	1	62,208		
Other		22		
Charges for current services	1,528			
Other revenue	872	717		
Total revenues	4,907	63,236	246,727	171,913
Expenditures:				
Current:				
General				
Public protection	3,216			
Public ways and facilities				
Health and sanitation				
Public assistance		64,247		
Education				
Recreational and cultural				
Debt service				
Principal				
Interest				
Total expenditures	3,216	64,247		
Excess of revenues over (under) expenditures	1,691	(1,011)	246,727	171,913
Other Financing Sources (Uses):				
Transfers in	650	847		
Transfers (out)		(411)	(248,529)	(190,059)
Proceeds of refunding bonds				
Total other financing sources (uses)	650	436	(248,529)	(190,059)
Net change in fund balances	2,341	(575)	(1,802)	(18,146)
Fund balances - beginning of year	17,082	17,355	18,414	34,600
Increase (decrease) in:				
Reserve for inventory of materials and supplies				
Fund balances - end of year	$ 19,423	16,780	16,612	16,454

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2002
(In Thousands)

(Cont)

	IHSS Public Authority	Other Special Districts	Total Special Revenue
Revenues:			
Taxes	$		36,448
Licenses, permits and franchises			9,558
Fines, forfeitures and penalties		41	1,557
Revenue from use of money and property	79	134	16,777
Aid from other governmental agencies:			
State		81	476,305
Federal		1	76,090
Other			9,058
Charges for current services		157	34,373
Other revenue		5	5,190
Total revenues	79	419	665,356
Expenditures:			
Current:			
General			2,577
Public protection			20,300
Public ways and facilities		54	92,751
Health and sanitation			23,480
Public assistance	310		71,492
Education			23,532
Recreational and cultural			1,780
Debt service			
Principal			70
Interest			61
Total expenditures	310	54	236,043
Excess of revenues over (under) expenditures	(231)	365	429,313
Other Financing Sources (Uses):			
Transfers in	2,924		83,778
Transfers (out)		(752)	(524,728)
Proceeds of refunding bonds			621
Total other financing sources (uses)	2,924	(752)	(440,329)
Net change in fund balances	2,693	(387)	(11,016)
Fund balances - beginning of year		3,805	332,645
Increase (decrease) in:			
Reserve for inventory of materials and supplies			(91)
Fund balances - end of year	$ 2,693	3,418	321,538

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
Year Ended June 30, 2002
(In Thousands)

	Pension Obligation Bonds	Nonprofit Corporation	Redevelopment Agency	Special Aviation	Total
Revenues:					
Taxes	$		538		538
Revenue from use of money and property	18	1,491	66		1,575
Aid from other governmental agencies:					
Other	4,727				4,727
Total revenues	4,745	1,491	604		6,840
Expenditures:					
Current:					
General		49			49
Debt service					
Principal	34,445	58,720	115	143	93,423
Interest	19,311	24,247	305	194	44,057
Total expenditures	53,756	83,016	420	337	137,529
Excess of revenues over (under) expenditures	(49,011)	(81,525)	184	(337)	(130,689)
Other Financing Sources (Uses):					
Transfers in	49,088	77,509		337	126,934
Transfers (out)		(6,824)			(6,824)
Proceeds of refunding bonds		26,083			26,083
Payment to refunded bond escrow agent		(26,083)			(26,083)
Total other financing sources (uses)	49,088	70,685		337	120,110
Net Change in fund balances	77	(10,840)	184		(10,579)
Fund balances - beginning of year	143	37,002	1,355		38,500
Fund balances - end of year	$ 220	26,162	1,539		27,921

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
Year Ended June 30, 2002
(In Thousands)

	Capital Outlay	Edgemoor Development	Nonprofit Corporation	Redevelopment Agency	Total
Revenues:					
Taxes	$ 2,193			1,591	3,784
Fines, forfeitures and penalties	4,156				4,156
Revenue from use of money and property	907	96	1,358	104	2,465
Aid from other governmental agencies:					
State	16,359				16,359
Federal	2,137				2,137
Other	842				842
Charges for current services	4,918				4,918
Other revenue	1,226	490			1,716
Total revenues	32,738	586	1,358	1,695	36,377
Expenditures:					
Current:					
General	5,084			481	5,565
Public protection				187	187
Health and sanitation		173			173
Capital outlay	64,036		8,305		72,341
Total expenditures	69,120	173	8,305	668	78,266
Excess of revenues over (under) expenditures	(36,382)	413	(6,947)	1,027	(41,889)
Other Financing Sources (Uses):					
Sale of capital assets	2,230				2,230
Transfers in	99,970				99,970
Transfers (out)	(63,090)		(3,354)		(66,444)
Proceeds of refunding bonds	38,615				38,615
Payment to refunded bond escrow agent	(40,171)				(40,171)
Total other financing sources (uses)	37,554		(3,354)		34,200
Net Change in fund balances	1,172	413	(10,301)	1,027	(7,689)
Fund balances - beginning of year	3,627	303	26,757	(8,152)	22,535
Fund balances - end of year	$ 4,799	716	16,456	(7,125)	14,846

INTERNAL SERVICE FUNDS

Internal service funds are established to account for services furnished to other county departments and are financed primarily by these service charges. Because they are exempt from budgetary control, they are free to employ commercial accounting techniques, and are often used in situations where a more accurate determination of operating results is desired.

ROAD AND COMMUNICATION EQUIPMENT FUND
This fund was established to account for the financing of public works and communications equipment provided to other county departments on a cost reimbursement basis.

PURCHASING FUND
This fund accounts for the financing of materials and supplies provided to county departments on a cost reimbursement basis.

SPECIAL DISTRICT LOANS FUND
This fund was established to provide financing for start up services for new and existing county service districts on a cost reimbursement basis.

RISK FINANCING FUND
This fund was established to account for all of the county's uninsured risk management activities.

FLEET SERVICES FUND
This fund was established to account for the financing of General Services' Fleet vehicles provided to other County departments on a cost reimbursement basis.

MAIL, PRINT & RECORDS FUND
This fund was established to account for the financing of general services' mail, printing and record storage services provided to other county departments on a cost reimbursement basis.

FACILITIES MANAGEMENT FUND
This fund was established to account for the financing of public service utilities, property management, and architectural and engineering services provided to other county departments on a cost reimbursement basis.

INFORMATION TECHNOLOGY FUND
This fund was established to account for the financing of software applications for human resources, payroll, and financial systems as well as telecommunication services provided to other county departments on a cost reimbursement basis.

OTHER MISCELLANEOUS FUND
This fund was established to provide for the financing of clothing and personal sundry items for persons institutionalized at various County facilities.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002
(In Thousands)

	Road and Communication Equipment	Purchasing	Special District Loans
ASSETS			
Current assets:			
Equity in pooled cash and investments	$ 14,850	2,374	650
Cash with fiscal agent			
Collections in transit	39	88	
Imprest cash		201	
Accounts and notes receivable		5	
Due from other funds	588	1,844	
Advances to other funds			259
Inventory of materials and supplies	308	716	
Other current assets			
Total current assets	15,785	5,228	909
Capital assets:			
Construction in progress			
Buildings and equipment	21,187	74	
Less accumulated depreciation	(10,705)	(63)	
Total noncurrent assets	10,482	11	
Total assets	26,267	5,239	909
LIABILITIES			
Current liabilities:			
Accounts payable	54	1,851	
Accrued payroll		112	
Accrued interest			
Due to other funds	735	386	
Claims and judgements			
Compensated absences		23	
Bonds, notes, and loans payable			
Total current liabilities	789	2,372	
Noncurrent liabilities:			
Compensated absences		209	
Claims and judgments			
Bonds, notes, and loan payable			
Total noncurrent liabilities		209	
Total liabilities	789	2,581	
NET ASSETS			
Invested in capital assets, net of related debt	10,482	11	
Restricted for other purposes			
Unrestricted	14,996	2,647	909
Total net assets	$ 25,478	2,658	909

(Cont)

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002
(In Thousands)

(Cont)

	Risk Financing	Fleet Services	Mail, Print & Records	Facilities Management
ASSETS				
Current assets:				
Equity in pooled cash and investments	$ 67,275	18,203	2,180	8,155
Cash with fiscal agent				
Collections in transit		218	14	9
Imprest cash		1	1	5
Accounts and notes receivable	5	19	20	
Due from other funds	1,134	840	540	5,940
Advances to other funds				
Inventory of materials and supplies		634	144	39
Other current assets			13	
Total current assets	68,414	19,915	2,912	14,148
Capital assets:				
Construction in progress				
Buildings and equipment		69,809	1,585	434
Less accumulated depreciation		(30,397)	(964)	(244)
Total noncurrent assets		39,412	621	190
Total assets	68,414	59,327	3,533	14,338
LIABILITIES				
Current liabilities:				
Accounts payable	2,772	1,607	160	2,792
Accrued payroll		140	93	626
Accrued interest			1	
Due to other funds	1,618	1,135	419	7,239
Claims and judgements	32,760			
Compensated absences		30	17	128
Bonds, notes, and loans payable		2,604	91	
Total current liabilities	37,150	5,516	781	10,785
Noncurrent liabilities:				
Compensated absences		269	154	1,151
Claims and judgments	65,034			
Bonds, notes, and loan payable		822	38	
Total noncurrent liabilities	65,034	1,091	192	1,151
Total liabilities	102,184	6,607	973	11,936
NET ASSETS				
Invested in capital assets, net of related debt		38,590	492	190
Restricted for other purposes				267
Unrestricted	(33,770)	14,130	2,068	1,945
Total net assets	$ (33,770)	52,720	2,560	2,402

(Cont)

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002
(In Thousands)

(Cont)

		Information Technology	Other Miscellaneous	Total
ASSETS				
Current assets:				
Equity in pooled cash and investments	$	32,620	1,472	147,779
Cash with fiscal agent		46,618		46,618
Collections in transit		2	88	458
Imprest cash				208
Accounts and notes receivable		3,675		3,724
Due from other funds		14,601	5	25,492
Advances to other funds				259
Inventory of materials and supplies			78	1,919
Other current assets				13
Total current assets		97,516	1,643	226,470
Capital assets:				
Construction in progress		37,626		37,626
Buildings and equipment			288	93,377
Less accumulated depreciation			(156)	(42,529)
Total noncurrent assets		37,626	132	88,474
Total assets		135,142	1,775	314,944
LIABILITIES				
Current liabilities:				
Accounts payable		48,665	80	57,981
Accrued payroll				971
Accrued interest				1
Due to other funds		48,336	153	60,021
Claims and judgements				32,760
Compensated absences				198
Bonds, notes, and loans payable				2,695
Total current liabilities		97,001	233	154,627
Noncurrent liabilities:				
Compensated absences				1,783
Claims and judgments				65,034
Bonds, notes, and loan payable				860
Total noncurrent liabilities				67,677
Total liabilities		97,001	233	222,304
NET ASSETS				
Invested in capital assets, net of related debt		37,626	132	87,523
Restricted for other purposes				267
Unrestricted		515	1,410	4,850
Total net assets	$	38,141	1,542	92,640

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
June 30, 2002
(IN THOUSANDS)

	Road and Communication Equipment	Purchasing	Special District Loans	Risk Financing
Operating Revenues:				
Charges for services	$ 5,839	42,012		36,908
Miscellaneous		392		17
Total operating revenue	5,839	42,404		36,925
Operating Expenses:				
Salaries		3,045		
Repairs and maintenance	2,084	73		
Equipment rental		560		
Contracted services		1,788		
Depreciation	1,294	2		
Utilities		95		
Cost of material	364	36,339		
Claims and judgments				46,344
Fuel	466	10		
Other operating expenses	656	216		
Total operating expenses	4,864	42,128		46,344
Operating income (loss)	975	276		(9,419)
Nonoperating Revenues (Expenses)				
Interest and dividends	181	104	2	1,267
Interest expense				
Loss on disposal of equipment	(3,232)	(20)		
Total nonoperating revenues (expenses)	(3,051)	84	2	1,267
Income (loss) before contributions and transfers	(2,076)	360	2	(8,152)
Capital contributions				
Transfers in	85			
Transfers (out)	(1,000)	(158)		
Change in net assets	(2,991)	202	2	(8,152)
Total net assets--beginning	28,469	2,456	907	(25,618)
Total net assets--ending	$ 25,478	2,658	909	(33,770)

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
Year Ended June 30, 2002
(In Thousands)

(Cont)

		Fleet Services	Mail, Print & Records	Facilities Management
Operating Revenues:				
Charges for services	$	18,698	10,456	72,344
Miscellaneous		102	72	1,733
Total operating revenue		18,800	10,528	74,077
Operating Expenses:				
Salaries		3,677	2,097	15,520
Repairs and maintenance		3,063	433	24,964
Equipment rental		52	35	786
Contracted services		1,839	903	8,291
Depreciation		6,611	118	21
Utilities		158	59	17,049
Cost of material		9	6,159	
Claims and judgments				
Fuel		3,355	21	103
Other operating expenses		322	92	5,869
Total operating expenses		19,086	9,917	72,603
Operating income (loss)		(286)	611	1,474
Nonoperating Revenues (Expenses)				
Interest and dividends		760	75	212
Interest expense		(219)	(14)	
Loss on disposal of equipment		(36)	(18)	(9)
Total nonoperating revenues (expenses)		505	43	203
Income (loss) before contributions and transfers		219	654	1,677
Capital contributions		510		
Transfers in		6,859	2	737
Transfers (out)		(192)	(105)	(779)
Change in net assets		7,396	551	1,635
Total net assets--beginning		45,324	2,009	767
Total net assets--ending	$	52,720	2,560	2,402

(Cont)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
Year Ended June 30, 2002
(In Thousands)

(Cont)

		Information Technology	Other Miscellaneous	Total
Operating Revenues:				
Charges for services	$	100,953	2,640	289,850
Miscellaneous		52	110	2,478
Total operating revenue		101,005	2,750	292,328
Operating Expenses:				
Salaries				24,339
Repairs and maintenance			18	30,635
Equipment rental				1,433
Contracted services		105,979		118,800
Depreciation			28	8,074
Utilities				17,361
Cost of material			1,192	44,063
Claims and judgments				46,344
Fuel			1	3,956
Other operating expenses			125	7,280
Total operating expenses		105,979	1,364	302,285
Operating income (loss)		(4,974)	1,386	(9,957)
Nonoperating Revenues (Expenses)				
Interest and dividends			1	2,602
Interest expense				(233)
Loss on disposal of equipment				(3,315)
Total nonoperating revenues (expenses)			1	(946)
Income (loss) before contributions and transfers		(4,974)	1,387	(10,903)
Capital contributions		8,306		8,816
Transfers in		4,631		12,314
Transfers (out)			(1,231)	(3,465)
Change in net assets		7,963	156	6,762
Total net assets--beginning		30,178	1,386	85,878
Total net assets--ending	$	38,141	1,542	92,640

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2002
(In Thousands)

		Road and Communication Equipment	Purchasing	Special District Loans	Risk Financing
Cash Flows from operating activities:					
Cash received from customers	$				
(including other funds)		5,878	43,007		36,168
Cash payments to suppliers		(704)	(43,353)		
Cash payments to employees			(3,090)		
Internal activity-payments to other funds		(2,205)	3,194		(29,678)
Net cash provided to operating activities		2,969	(242)		6,490
Cash flows from non-capital financing activities:					
Transfers from (to) other funds		(915)	(158)		
Advances from (to) other funds				(51)	
Net cash used for non-capital financing activities		(915)	(158)	(51)	
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(1,769)	(20)		
Capital contributions					
Proceeds from sale of equipment		227			
Principal paid on long-term debt					
Interest paid on long-term debt					
Net cash used for capital and related financing activities		(1,542)	(20)		
Cash flows from investing activities:					
Interest		196	120	1	1,267
Net increase (decrease) in cash & cash equivalents		708	(300)	(50)	7,757
Cash and cash equivalents - beginning of year		14,181	2,963	700	59,518
Cash and cash equivalents - end of year		14,889	2,663	650	67,275
Reconciliation of operating income:					
Operating income (loss)		975	276		(9,419)
Adjustments to reconcile:					
Increase (decrease) in compensated absences			(35)		
Increase (decrease) in accrued payroll			(1)		
Increase (decrease) in due to other funds		481	(394)		335
Increase (decrease) in accounts payable		(13)	(676)		2,747
Increase (decrease) in claims and judgements					13,584
Decrease (increase) in accounts receivable			(2)		(1)
Decrease (increase) in inventory		193	(18)		
Decrease (increase) in due from other funds		39	606		(756)
Depreciation		1,294	2		
Net cash provided by operating activities	$	2,969	(242)		6,490

(Cont)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2002
(In Thousands)

(Cont)

		Fleet Services	Mail, Print & Records	Facilities Management
Cash Flows from operating activities:				
Cash received from customers	$			
(including other funds)		19,513	10,640	75,894
Cash payments to suppliers		(6,709)	(6,728)	(54,723)
Cash payments to employees		(3,674)	(2,058)	(15,360)
Internal activity-payments to other funds		(2,026)	(1,182)	(1,206)
Net cash provided to operating activities		7,104	672	4,605
Cash flows from non-capital financing activities:				
Transfers from (to) other funds		6,667	(103)	(42)
Advances from (to) other funds				
Net cash used for non-capital financing activities		6,667	(103)	(42)
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(14,120)	(143)	(30)
Capital contributions				
Proceeds from sale of equipment		532	1	
Principal paid on long-term debt		(2,278)	(32)	
Interest paid on long-term debt		(257)	(16)	
Net cash used for capital and related financing activities		(16,123)	(190)	(30)
Cash flows from investing activities:				
Interest		894	82	181
Net increase (decrease) in cash & cash equivalents		(1,458)	461	4,714
Cash and cash equivalents - beginning of year		19,880	1,734	3,455
Cash and cash equivalents - end of year		18,422	2,195	8,169
Reconciliation of operating income:				
Operating income (loss)		(286)	611	1,474
Adjustments to reconcile:				
Increase (decrease) in compensated absences		(14)	21	57
Increase (decrease) in accrued payroll		19	21	103
Increase (decrease) in due to other funds		96	(290)	1,031
Increase (decrease) in accounts payable		(97)	71	106
Increase (decrease) in claims and judgements				
Decrease (increase) in accounts receivable		(7)	321	1
Decrease (increase) in inventory		61	6	(3)
Decrease (increase) in due from other funds		721	(207)	1,815
Depreciation		6,611	118	21
Net cash provided by operating activities	$	7,104	672	4,605

(Cont)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2002
(In Thousands)

(Cont)

	Information Technology	Other Miscellaneous	Total
Cash Flows from operating activities:			
Cash received from customers	$		
(including other funds)	94,830	2,657	288,587
Cash payments to suppliers	(63,845)	(1,381)	(177,443)
Cash payments to employees			(24,182)
Internal activity-payments to other funds	(654)	(12)	(33,769)
Net cash provided to operating activities	30,331	1,264	53,193
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	4,631	(1,231)	8,849
Advances from (to) other funds			(51)
Net cash used for non-capital financing activities	4,631	(1,231)	8,798
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(8,306)	(77)	(24,465)
Capital contributions	8,306		8,306
Proceeds from sale of equipment			760
Principal paid on long-term debt			(2,310)
Interest paid on long-term debt			(273)
Net cash used for capital and related financing activities		(77)	(17,982)
Cash flows from investing activities:			
Interest		1	2,742
Net increase (decrease) in cash & cash equivalents	34,962	(43)	46,751
Cash and cash equivalents - beginning of year	44,278	1,603	148,312
Cash and cash equivalents - end of year	79,240	1,560	195,063
Reconciliation of operating income:			
Operating income (loss)	(4,974)	1,386	(9,957)
Adjustments to reconcile:			
Increase (decrease) in compensated absences			29
Increase (decrease) in accrued payroll			142
Increase (decrease) in due to other funds	(654)	(182)	423
Increase (decrease) in accounts payable	42,134	20	44,292
Increase (decrease) in claims and judgements			13,584
Decrease (increase) in accounts receivable	(2,010)		(1,698)
Decrease (increase) in inventory		9	248
Decrease (increase) in due from other funds	(4,165)	3	(1,944)
Depreciation		28	8,074
Net cash provided by operating activities	$ 30,331	1,264	53,193

THE NOBLEST MOTIVE IS THE PUBLIC GOOD
COUNTY OF
SAN DIEGO
MDCCCLI

STATISTICAL SECTION

COMPARISON OF EXPENDITURES
COUNTY GOVERNMENTAL FUNDS
Fiscal Years 1992-93 Through 2001-2002
(In Thousands)

TABLE 1

		1992-93	1993-94	1994-95	1995-96	1996-97
General Government	$	208,838	204,216	166,381	172,916	186,861
Public Protection		426,986	438,051	450,419	481,691	509,142
Public Ways & Facilities		64,714	66,766	62,786	69,617	64,180
Health & Sanitation		246,208	247,533	256,011	265,396	268,400
Public Assistance		892,530	932,497	1,001,420	992,263	915,302
Education		8,383	8,419	8,879	8,973	9,375
Recreation & Cultural		6,730	7,648	6,749	7,109	7,210
Capital Outlay		54,308	111,895	60,914	115,170	74,368
Debt Service		35,277	40,694	72,894	77,705	91,914
Total	$	1,943,974	2,057,719	2,086,453	2,190,840	2,126,752

		1997-98	1998-99	1999-00	2000-01	2001-02
General Government	$	184,465	185,426	150,879	136,714	156,517
Public Protection		544,585	575,825	667,565	728,212	809,185
Public Ways & Facilities		66,509	80,127	72,721	83,932	95,936
Health & Sanitation		294,867	319,505	370,379	454,628	548,627
Public Assistance		816,620	703,132	737,284	747,430	827,229
Education		10,097	11,325	14,263	18,621	24,005
Recreation & Cultural		9,309	11,203	12,393	13,102	16,514
Capital Outlay		91,119	47,098	55,239	57,723	72,341
Debt Service		98,150	103,448	110,221	140,000	169,311
Total	$	2,115,721	2,037,089	2,190,944	2,380,362	2,719,665

Governmental funds include the General, Tobacco Securitization, Special Revenue, Debt Service and Capital Project funds.

COMPARISON OF REVENUES BY SOURCE
COUNTY GOVERNMENTAL FUNDS
Fiscal Years 1992-93 through 2001-2002
(In Thousands)

TABLE 2

	1992-93	1993-94	1994-95	1995-96	1996-97
Taxes	$ 376,098	353,752	272,831	299,383	297,314
Licenses, Permits and Franchises	27,749	26,868	27,011	26,587	28,118
Fines, Forfeitures and Penalties	26,253	19,576	18,156	23,787	22,972
Use of Money and Property	34,425	45,432	26,069	25,319	31,089
Aid From Other Governmental Agency	1,290,298	1,470,308	1,532,529	1,587,410	1,536,529
Charges for Current Services	152,956	162,658	156,823	171,079	173,489
Other Revenue	11,648	17,927	17,234	17,725	27,327
Total	$ 1,919,427	2,096,521	2,050,653	2,151,290	2,116,838

	1997-98	1998-99	1999-00	2000-01	2001-02
Taxes	$ 306,203	338,487	344,393	432,468	409,969
Licenses, Permits and Franchises	28,312	31,095	31,796	34,796	37,808
Fines, Forfeitures and Penalties	29,396	27,015	36,235	40,139	39,691
Use of Money and Property	48,968	40,939	48,519	74,244	45,567
Aid From Other Governmental Agency	1,481,185	1,418,073	1,575,013	1,739,153	1,771,123
Charges for Current Services	196,435	211,290	209,400	223,296	251,018
Other Revenue	18,822	31,130	28,782	37,214	70,203
Total	$ 2,109,321	2,098,029	2,274,138	2,581,310	2,625,379

Governmental funds include the General, Tobacco Securitization, Special Revenue, Debt Service and Capital Project funds.

COMPARISON OF COUNTY ASSESSED VALUE
TAXES LEVIED AND TAX COLLECTIONS COUNTY GENERAL AND LIBRARY FUNDS
Fiscal Years 1992-93 through 2001-2002
(In Thousands)

TABLE 3

Assessed Valuations and Tax Rates	1992-93	1993-94	1994-95	1995-96	1996-97
Secured	$ 138,327,528	139,889,004	140,737,545	142,068,531	142,356,634
Tax Rate (County wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	6,049,244	6,132,432	6,448,886	6,695,765	6,755,173
Tax Rate (Countywide)	1.000	1.000	1.000	1.000	1.000
Tax Levied (Current and Prior)	357,174	249,877	218,190	221,960	223,706
Current Tax Collections	315,998	222,839	216,385	220,205	221,724
Delinquent Tax Collections	12,060	25,661	136	209	165
Total Tax Collections	328,058	248,500	216,521	220,414	221,889
Ratio of Total Collections to Levy	91.8%	99.4%	99.2%	99.3%	99.2%
Outstanding Delinquent Taxes	$ 29,116	1,377	1,669	1,546	1,818

Assessed Valuations and Tax Rates	1997-98	1998-99	1999-00	2000-01	2001-02
Secured	$ 145,607,295	155,847,593	171,710,387	186,548,635	204,408,552
Tax Rate (County wide)	1.000	1.000	1.000	1.000	1.000
Unsecured	7,295,084	7,880,996	8,838,343	9,168,845	10,075,117
Tax Rate (Countywide)	1.000	1.000	1.000	1.000	1.000
Tax Levied (Current and Prior)	231,220	247,288	270,611	292,042	318,380
Current Tax Collections	228,984	244,803	267,987	289,406	315,736
Delinquent Tax Collections	179	223	217	164	148
Total Tax Collections	229,163	245,026	268,204	289,570	315,884
Ratio of Total Collections to Levy	99.1%	99.1%	99.1%	99.2%	99.2%
Outstanding Delinquent Taxes	$ 2,057	2,261	2,406	2,472	2,496

COMPARISON OF ASSESSED VALUATIONS
SECURED AND UNSECURED
Fiscal Years 1992-93 through 2001-2002
(In Thousands)

TABLE 4

Secured Property:	1992-93	1993-94	1994-95	1995-96	1996-97
Land	$ 56,942,649	57,882,623	58,065,558	58,442,660	58,743,000
Improvements	81,937,911	83,110,455	84,039,711	84,997,932	85,004,255
Personal Property	2,299,370	2,173,676	2,102,662	2,241,217	2,253,372
Gross Secured Valuations	141,179,930	143,166,754	144,207,931	145,681,809	146,000,629
Exemptions:	2,852,402	3,277,750	3,470,386	3,613,279	3,643,995
Net Secured Valuations	138,327,528	139,889,004	140,737,545	142,068,530	142,356,634
Unsecured Property:					
Land	17	155	74	26,663	-
Improvements	1,457,255	1,521,429	1,588,569	1,587,308	1,759,688
Personal Property	4,751,245	4,854,494	5,073,088	5,295,127	5,150,899
Gross Unsecured Valuations	6,208,517	6,376,078	6,661,730	6,909,098	6,910,587
Exemptions:	159,274	243,646	212,845	213,333	155,414
Net Unsecured Valuations	6,049,243	6,132,432	6,448,886	6,695,765	6,755,173
Net Valuations	144,376,771	146,021,436	147,186,431	148,764,295	149,111,807

Secured Property:	1997-98	1998-99	1999-00	2000-01	2001-02
Land	$ 59,965,573	63,633,576	70,120,054	76,745,341	84,852,228
Improvements	85,520,503	92,369,459	103,036,379	110,551,695	120,502,617
Personal Property	4,125,615	4,099,352	2,957,459	3,897,721	3,926,419
Gross Secured Valuations	149,611,690	160,102,387	176,113,891	191,194,757	209,281,264
Exemptions:	4,004,395	4,254,794	4,403,504	4,646,122	4,872,712
Net Secured Valuations	145,607,295	155,847,593	171,710,387	186,548,635	204,408,552
Unsecured Property:					
Land	-	-	-	-	-
Improvements	1,706,300	1,803,442	2,011,700	2,144,396	2,127,362
Personal Property	6,096,946	6,478,142	7,263,938	7,701,247	8,749,368
Gross Unsecured Valuations	7,803,246	8,281,584	9,275,638	9,845,643	10,876,730
Exemptions:	508,163	400,587	437,295	676,798	801,613
Net Unsecured Valuations	7,295,083	7,880,996	8,838,343	9,168,845	10,075,117
Net Valuations	152,902,378	163,728,589	180,548,730	195,717,480	214,483,669

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

Fiscal Years 1992-93 through 2001-2002

(In Thousands)

TABLE 5

FISCAL YEAR	POPULATION(1)	ASSESSED VALUE(2)	GROSS BONDED DEBT(3)	LESS DEBT SERVICE FUND(4)	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1992-93	2,614	144,376,771	299,272	31,790	267,482	0.19	102
1993-94	2,639	146,021,436	718,132	28,414	689,718	0.47	261
1994-95	2,659	147,186,431	762,993	47,625	715,368	0.49	269
1995-96	2,690	148,764,295	799,533	51,652	747,881	0.50	278
1996-97	2,724	149,111,807	834,773	30,275	804,498	0.54	295
1997-98	2,795	152,902,378	819,813	28,394	791,419	0.52	283
1998-99	2,853	163,728,589	847,038	28,300	818,738	0.50	287
1999-00	2,911	180,548,730	863,285	31,377	831,908	0.46	286
2000-01	2,884	195,717,480	783,795	37,145	746,650	0.38	259
2001-02	2,918	214,483,669	716,690	26,382	690,308	0.32	237

(1) From Table 10

(2) From Table 8

(3) Includes Lease Revenue Bonds and Certificates of Participation of various Joint Power Authorities and the San Diego County Capital Asset Leasing Corporation and taxable Pension Obligation Bonds.

(4) Amount available for repayment of bonded debt (Redevelopment Agency excluded)

COMPARISON OF SECURED PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(PER $100 OF ASSESSED VALUE)
Fiscal Years 1992-93 through 2001-2002

TABLE 6

FISCAL YEAR	GOVERNMENTAL ENTITY				
	COUNTY-WIDE*	SCHOOLS	CITIES	SPECIAL DISTRICTS	TOTAL
1993	1.000	0.045	0.006	0.019	1.070
1994	1.000	0.045	0.005	0.016	1.066
1995	1.000	0.044	0.005	0.015	1.064
1996	1.000	0.044	0.005	0.016	1.065
1997	1.000	0.044	0.004	0.015	1.063
1998	1.000	0.045	0.004	0.013	1.062
1999	1.000	0.044	0.004	0.012	1.060
2000	1.000	0.046	0.004	0.011	1.061
2001	1.000	0.047	0.004	0.011	1.062
2002	1.000	0.048	0.004	0.009	1.061

* The $1.00 per $100 of Assessed Value (Proposition 13) tax rate beginning in FY 79 is distributed according to State Law on a percentage basis to each of the eligible taxing agencies in the County.

COMPARISON OF RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Fiscal Years 1992-93 through 2001-2002
(In Thousands)

TABLE 7

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES(1)	RATIO OF DEBT SERVICE TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
1992-1993	9,352	10,312	19,664	1,943,974	1.01
1993-1994	11,815	12,367	24,182	2,057,719	1.18
1994-1995	13,605	41,023	54,628	2,086,453	2.62
1995-1996	15,653	44,907	60,560	2,190,840	2.76
1996-1997	56,589	19,722	76,311	2,126,752	3.59
1997-1998	37,365	46,528	83,893	2,115,721	3.97
1998-1999	45,844	47,118	92,962	2,037,089	4.56
1999-2000	53,847	46,061	99,908	2,190,944	4.56
2000-2001	77,432	49,642	127,074	2,380,362	5.34
2001-2002	101,395	62,084	163,479	2,719,665	6.01

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds. The debt service expenditures for Lease Revenue Bonds and Certificates of Participation of various Joint Powers Authorities and the San Diego County Capital Asset Leasing Corporation are incorporated into the County's Comprehensive Annual Financial Report in accordance with criteria adopted by the Governmental Accounting Standards Board. These debt instruments function as general obligation debt of the County. The general revenues of the County, including taxes, are the source of payment for the debt service expenditures made by these agencies. Prior to fiscal year 1993-94, the County had no general obligation bonded debt. During 1993-94, the County issued $430.4 million in taxable pension obligation bonds which are secured by the general revenues of the County including property taxes.

COMPARISON OF COMPUTATION OF LEGAL DEBT MARGIN

Fiscal Years 1992-93 through 2001-2002

(In Thousands)

TABLE 8

	POPULATION PER OFFICIAL U.S.CENSUS (1)	TOTAL ASSESSED VALUATION	LEGAL DEBT LIMIT (2)	LEGAL DEBT MARGIN (3)
1992-1993	2,614	144,376,771	1,804,710	1,804,710
1993-1994	2,639	146,021,436	1,825,268	1,825,268
1994-1995	2,659	147,186,431	1,839,830	1,839,830
1995-1996	2,690	148,764,295	1,859,554	1,859,554
1996-1997	2,724	149,111,807	1,863,898	1,863,898
1997-1998	2,795	152,902,378	1,911,280	1,911,280
1998-1999	2,853	163,728,589	2,046,607	2,046,607
1999-2000	2,911	180,548,730	2,256,859	2,256,859
2000-2001	2,884	195,717,480	2,446,469	2,446,469
2001-2002	2,918	214,483,669	2,681,046	2,681,046

(1) Estimated

(2) The Legal debt Limit is 1.25% of Assessed Valuation

(3) Legal Debt Margin is computed by subtracting the County legal general obligation bonded debt from the Legal Debt Limit. Beginning in 1980-81 and subsequent fiscal years the County, as a legally defined entity, had no tax supported general obligation bonded debt outstanding.

COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES
Fiscal Years 1992-93 through 2001-2002
Calendar Years 1992 through 2001
(In Thousands)

TABLE 9

	1992	1993	1994	1995	1996
(1) CONSTRUCTION					
Residential Construction Permits	4,098	4,321	7,092	3,257	8,046
Non-Residential Construction	3,818	3,728	3,594	312	619
Misc. Construction Permits	21,038	21,358	17,924	13,277	24,732
Total Valuation	$1,647,374	1,707,342	1,639,002	999,936	2,453,717
Fiscal Year	1992-93	1993-94	1997-95	1995-96	1996-97
(2)					
Bank Deposits	$16,541,100	15,728,193	15,332,999	15,053,416	15,105,204
(3) PROPERTY VALUE					
Commerical	$28,659,430	27,851,773	27,034,074	26,526,398	18,912,385
Residential	$96,900,269	99,978,225	101,807,538	103,576,070	104,163,069
Non-taxable	$2,852,402	3,277,750	3,470,386	3,613,279	3,643,995

	1997	1998	1999	2000	2001
(1) CONSTRUCTION					
Residential Construction Permits	11,091	13,757	16,312	13,712	9,998
Non-Residential Construction	680	967	906	599	619
Misc. Construction Permits	25,705	27,593	31,950	30,530	33,667
Total Valuation	$3,130,775	$3,824,069	$4,485,091	$4,260,729	$4,359,426
Fiscal Year	1997-98	1998-99	1999-00	2000-01	2001-02
(2)					
Bank Deposits	$17,365,228	18,838,052	20,103,119	20,040,351	(4)
(3) PROPERTY VALUE					
Commerical	$19,670,947	21,746,659	24,636,722	26,905,736	29,308,842
Residential	$106,742,185	113,347,767	124,792,674	136,721,138	150,918,286
Non-taxable	$4,004,395	4,254,794	4,403,504	4,646,121	4,872,712

Sources:

(1) Greater San Diego Chamber of Commerce

(2) Federal Reserve Bank - FDIC Banks and Branches Data Book

(3) San Diego County Property Tax Services and Assessor

(4) Not yet available

COMPARISON OF DEMOGRAPHIC STATISTICS
Calendar Years 1993 through 2002

TABLE 10

YEAR	POPULATION (1)	CIVILIAN LABOR FORCE	UNEMPLOYMENT PERCENTAGE RATE
1993	2,614,222	1,215,200	6.7
1994	2,638,511	1,199,100	7.4
1995	2,658,584	1,217,100	6.8
1996	2,690,255	1,232,400	5.5
1997	2,724,457	1,249,700	4.5
1998	2,794,800	1,281,600	4.2
1999	2,853,258	1,347,800	3.3
2000	2,911,468	1,401,900	3.7
2001	2,883,600	1,362,900	3.0
2002	2,918,254	1,475,300 (2)	4.2 (2)

DATA SOURCES:

(1) State Department of Finance (As of January 1)

(2) State Employment Development Department for 2002

COMPARISON OF REVENUE BOND COVERAGE
WATER AND SEWER BONDS
Fiscal Years 1992-93 through 2001-2002
(In Thousands)

TABLE 11

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
1992-93	20,131	14,167	5,964	25	28	53	112.53
1993-94	18,300	10,869	7,431	15	11	26	285.81
1994-95	20,885	17,816	3,069	15	10	25	122.76
1995-96	19,031	17,657	1,374	15	9	24	57.25
1996-97	19,056	11,050	8,006	15	8	23	348.09
1997-98	22,177	16,004	6,173	20	6	26	237.42
1998-99	20,917	15,494	5,423	20	5	25	216.92
1999-00	21,672	12,527	9,145	20	4	24	381.04
2000-01	16,103	11,667	4,436	20	4	24	184.83
2001-02	17,949	13,995	3,954	25	2	27	146.44

(1) Total Operating Expenses exclusive of depreciation

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

TABLE 12

2001-02 Assessed Valuation:	$214,483,668,959 (Includes unitary utility valuation)
Redevelopment Incremental Valuation:	13,289,406,770
Adjusted Assessed Valuation:	$201,194,262,189

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/02	
Metropolitan Water District	17.743	$ 89,260,597	
San Diego County Water Authority	100	3,220,000	
Southwestern Community College District	100	40,000,000	
San Diego Unified School District	100	489,989,881	
San Diego Unified School District Lease Tax Obligations	100	129,125,000	
San Marcos Unified School District Facilities Improvement District No. 1	100	20,343,019	
Unified School Districts	100	71,863,810	
Union High School Districts	100	107,735,117	
School Districts	100	163,368,051	
Otay Municipal Water District Improvement Districts	100	11,530,000	
Other Municipal Water Districts	100	2,390,000	
City of San Diego	100	16,920,000	
Other Cities	100	4,245,000	
San Diego Open Space Park Facilities District	100	41,175,000	
Other Special Districts	100	1,620,000	
Community Facilities Districts	100	725,344,282	
1915 Act Bonds (Estimated)	100	232,025,904	
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		2,150,155,661	
Less: San Diego Open Space Park Facilities District (100% self-supporting)		41,175,000	
		-	
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		2,108,980,661	

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Diego County General Fund Obligations	100	507,606,062	(1)
San Diego County Pension Obligations	100	282,900,000	
San Diego County Superintendent of Schools Obligations	100	2,122,500	
Community College District Certificates of Participation	100	75,715,000	
San Diego Unified School District Certificates of Participation	100	46,070,000	
Other Unified School Districts Certificates of Participation	100	85,224,005	
High School District Certificates of Participation	100	53,816,500	
School District Certificates of Participation	100	109,187,155	
Municipal Water District Certificates of Participation	100	29,800,000	
City of San Diego General Fund Obligations	100	378,095,000	
City of Escondido and General Fund Obligations	100	92,572,847	
Other City General Fund Obligations	100	308,640,920	
San Miguel Consolidated Fire Protection District Certificates of Participation	100	10,505,000	
Fallbrook Sanitary District Certificates of Participation	100	10,780,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		1,993,034,989	

(Cont)

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

TABLE 12 (Cont)

Less: Otay Municipal Water District Certificates of Participation (100% self-supporting)	26,665,000
Grossmont Union High School District Certificates of Participation (100% self-supporting from tax increment revenues)	7,389,000
City of Oceanside Certificates of Participation	2,965,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	1,956,015,989
GROSS COMBINED TOTAL DEBT	4,143,190,650 (2)
NET COMBINED TOTAL DEBT	$4,064,996,650

(1) Excludes general fund obligations to be sold.

(2) Excludes tax & revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2001-02 Assessed Valuation:	
Total Gross Direct and Overlapping Tax and Assessment Debt	1.00 %
Total Net Direct and Overlapping Tax and Assessment Debt	0.98
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($790,506,062)	0.39
Gross Combined Total Debt	2.06
Net Combined Total Debt	2.02
STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2001	$ 4,330,263

Source: California Municipal Statistics, Inc. (As of March 1, 2002)

PRINCIPAL TAXPAYERS
June 30, 2002
(In Thousands)

TABLE 13

TAXPAYERS	TYPE OF BUSINESS	ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
San Diego Gas & Electric Company	Gas & Electric Utility	$2,546,874	1.19
Pacific Bell	Telephone Company	1,290,726	0.60
Southern California Edison Co.	Electric Utility	1,244,408	0.58
Kilroy Realty L P	Real Estate	539,637	0.25
Fashion Valley Mall LLC	Real Estate	530,665	0.25
Qualcomm Inc.	Telecommunications	465,566	0.22
San Diego Family Housing LLC	Real Estate	319,510	0.15
L-O Coronado Holding II Inc	Real Estate	308,912	0.14
Cabrillo Power I L L C	Electric Utility	305,158	0.14
Sea World Inc.	Marine Oriented Theme Park	280,063	0.13
		$7,831,519	3.65

MISCELLANEOUS STATISTICAL DATA
June 30, 2002

TABLE 14

FORM OF GOVERNMENT:	Chartered County, governed by five-member Board of Supervisors
COUNTY SEAT:	San Diego, California
COUNTY CHARTER ADOPTED:	July 1, 1933
FISCAL YEAR BEGINS:	July 1
AREA OF COUNTY:	Approximately 4,200 square miles
GEOGRAPHICAL LOCATION:	The Southwestern most county in California and the continental United States. Bounded by Mexico on the South, Riverside and Orange counties on the North, Imperial County on the East and the Pacific Ocean on the West. Extends North to South approximately 60 miles and East to West 70 miles.
ALTITUDE:	Sea Level to 6,500 feet

INCORPORATED CITIES:

Carlsbad	Lemon Grove
Chula Vista	National City
Coronado	Oceanside
Del Mar	Poway
El Cajon	San Diego
Encinitas	San Marcos
Escondido	Santee
Imperial Beach	Solana Beach
La Mesa	Vista

SPECIAL DISTRICTS	
Air Pollution Control	1
Cemetery	4
Community Facilities	156
Community Services	12
County Service Areas	41
Education:	
Schools	47
Dept. of Education	1
Fire	16
Flood Control	1
Geological Hazard	1
Hospital	4
Infrastructure	1
Irrigation	6
Library	1
Lighting	6
Maintenance:	
Lighting	1
Sewer	2
Street	1
Permanent Road Divisions	65
Public Utility	1
Recreation and Parks	1
Redevelopment Agencies	17
Resource Conservation	3
Sanitation	9
Sewer	1
Small Craft Harbor	1
Unified Port	1
Vector Control	1
Water:	
California	3
County	5
Miscellaneous	2
Municipal	14
	426

MILES OF COUNTY-MAINTAINED ROADS (Unincorporated Areas Only):	1,891.21

(Cont)

MISCELLANEOUS STATISTICAL DATA
June 30, 2002

TABLE 14 (Cont)

SEWERS MAINTAINED BY WASTEWATER MANAGEMENT

Districts Connected to Metropolitan System	4
Water Pollution Control Facilities	6
Sewer Lines, Miles	379
Equivalent Dwelling Units Sewer Connections	51,053

REGISTERED VOTERS

Primary Election:	March 5, 2002
Number Voted:	452,741
Percent Voted:	33.40
Registered Voters:	1,355,756

MAJOR INDUSTRY GROUP OF EMPLOYED PERSONS FOR SAN DIEGO COUNTY (In Thousands)

	JUNE 30
Agriculture and Fishing	11.7
Mining	0.3
Contract Construction	76.1
Manfacturing:	
Primary Fabricated Metal Products	16.5
Instruments and Related Products	16.9
Electronic	22.5
Aircraft & Transportation Equipment	14.0
Other Manufacturing	8.1
Industrial Machinery	12.7
Paper, Printing and Publishing	37.6
Transportation and Public Utilities	50.5
Wholesale and Retail Trade	278.5
Finance, Real Estate and Insurance	72.4
Service Industries	422.4
Government	222.0
Not Elsewhere Classified	151.5
TOTAL EMPLOYED	1,413.7
UNEMPLOYED	61.6
TOTAL CIVILIAN LABOR FORCE	1,475.3

TOTAL COUNTY EMPLOYEES AT JUNE 30

Year	Number of Employees	Percent of Increase over Previous Year	Number of Employees Per Thousands Population
1993	16,999	(0.1)	6.50
1994	17,256	1.5	6.54
1995	17,470	1.2	6.57
1996	17,626	0.9	6.55
1997	17,623	(0.0)	6.47
1998	17,790	0.9	6.36
1999	17,988	1.1	6.30
2000	18,215	1.3	6.26
2001	18,725	2.8	6.49
2002	19,882	6.2	6.81

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